

OFFICIAL STATEMENT DATED JANUARY 16, 2019

In the opinion of The Muller Law Group PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

\$8,925,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 15 (A political subdivision of the State of Texas located within Fort Bend County) UNLIMITED TAX LEVEE IMPROVEMENT BONDS SERIES 2019

Dated: February 1, 2019

Due: September 1, as shown below

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from February 1, 2019 and be payable on September 1, 2019 (seven months of interest) and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (Sept 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2019	\$ 750,000	2.000 %	1.800 %	34679T RS6	2030	\$ 375,000 (c)	3.000 %	3.100 %	34679T SD8
2020	750,000	2.000	1.900	34679T RT4	2031	375,000 (c)	3.000	3.200	34679T SE6
2021	375,000	2.000	2.000	34679T RU1	2032	375,000 (c)	3.000	3.300	34679T SF3
2022	375,000	2.000	2.100	34679T RV9	2033	375,000 (c)	3.125	3.400	34679T SG1
2023	375,000	2.000	2.200	34679T RW7	2034	375,000 (c)	3.250	3.500	34679T SH9
2024	375,000	2.000	2.300	34679T RX5	2035	375,000 (c)	3.375	3.550	34679T SJ5
2025	375,000 (c)	2.250	2.400	34679T RY3	2036	375,000 (c)	3.375	3.600	34679T SK2
2026	375,000 (c)	2.250	2.550	34679T RZ0	2037	375,000 (c)	3.500	3.650	34679T SL0
2027	375,000 (c)	2.500	2.700	34679T SA4	***	***	***	***	***
2028	375,000 (c)	3.000	2.850	34679T SB2	2040	350,000 (c)	3.625	3.800	34679T SP1
2029	375,000 (c)	3.000	3.000	34679T SC0					

\$700,000 Term Bonds due September 1, 2039 (c), 34679T SN6 (b), 3.500% Interest Rate, 3.750% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from February 1, 2019, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau, managed by S&P Global Market Intelligence, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) The Bonds maturing on or after September 1, 2025 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest 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."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Levee Improvement District No. 15 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land, the City of Missouri City, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about February 21, 2019.

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY APPENDIX B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478, upon payment of duplication costs.

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

- The Issuer* Fort Bend County Levee Improvement District No. 15 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
- The Issue* \$8,925,000 Unlimited Tax Levee Improvement Bonds, Series 2019 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing serially in each of the years 2019 through 2037 and 2040, and as term bonds in 2039 (the “Term Bonds”) and in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from February 1, 2019 and is payable on September 1, 2019 (seven months of interest), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- The Bonds maturing on and after September 1, 2025 are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2024, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS.”
- Source of Payment* The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City, the City of Sugar Land, or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.”
- Payment Record* The District has previously issued eight series of unlimited tax levee improvement bonds, four series of unlimited tax refunding bonds, four series of unlimited tax road improvement bonds and one series of unlimited tax park bonds, \$94,320,000 principal amount of which are outstanding as of December 1, 2018 (the “Outstanding Bonds”). The District has never defaulted on the payment of principal and interest on the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- Use of Proceeds* Proceeds of the Bonds will be used to finance (1) construction and engineering of improvements to serve (a) Wetland Park at Riverstone clearing and grubbing, (b) Riverstone Wetland Park, (c) Riverstone Cypress Bend Wetland Park Phase 2, (d) University Boulevard and Cypress Bend wetland planting and irrigation, (e) Alcorn Bayou mitigation wetland, (f) Riverstone wetland shelf planting, (g) Wetland at 6 acre Lake, (h) Snake Slough pump stations, (i) Snake Slough/Steep Bank Creek interconnect, (j) Steep Bank Creek pump station expansion, and (k) Riverstone North Wetland Park and (2) land costs. In addition, proceeds of the Bonds will be used to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Not Qualified Tax-Exempt Obligations* The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”
- Municipal Bond Rating and Municipal Bond Insurance* It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) 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 Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds also have been assigned an underlying credit rating of “A1” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

<i>Bond Counsel</i>	The Muller Law Group, PLLC, Sugar Land, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas.
<i>District Engineer</i>	Costello, Inc., Houston, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton, LLP, Houston, Texas.

RECENT EXTREME WEATHER; HURRICANE HARVEY

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

Impact on the District To the knowledge of the District, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the District’s Engineer, approximately 12 homes located within the District experienced flooding or other material damage as a result of Hurricane Harvey. Such damage was likely caused by rainfall accumulation in excess of design criteria required for the storm water conveyance system serving the District. See “FLOOD PROTECTION.”

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather; Hurricane Harvey.”

THE DISTRICT

Description The District is a conservation and reclamation district created by order of the Commissioners Court of Fort Bend County, Texas, on September 19, 2000. The District has the authority to purchase, construct, operate and maintain all improvements and utilities necessary for providing flood plain reclamation, flood protection, detention and outfall drainage. The District is also empowered, among other things, to finance and construct major thoroughfares and parks and recreational facilities that serve the District. The District presently contains approximately 2,398 acres of land and is located approximately 21 miles southwest of downtown Houston, Texas. The District lies partially within the extraterritorial jurisdiction of the City of Sugar Land, partially within the City of Sugar Land’s corporate limits, and partially within the extraterritorial jurisdiction of the City of Missouri City. See “AERIAL PHOTOGRAPH” herein.

Riverstone The District is part of the approximately 3,700-acre master planned community known as “Riverstone.” The District is one of two levee improvement districts that encompass Riverstone. At full development, Riverstone is projected to include single family, multi-family, townhome, institutional (churches, schools, etc.) and commercial development. The Original Developers (as hereinafter defined) constructed an information center and recreational amenities which includes walking trails and three recreation centers with facilities including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents. See “THE DISTRICT.”

Status of Development Development activities in the District began in 2004. The District currently includes approximately 1,741 developed acres of single-family residential development (3,768 lots). As of October 28, 2018, the District contained 3,229 single-family homes completed and occupied, 17 single-family homes completed and not occupied, 215 single-family homes in various stages of construction, and 307 vacant lots.

The remainder of the District is comprised of approximately 191 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, approximately 13 acres on which a 249-unit apartment complex has been constructed and approximately 18 acres on which a 351-unit apartment complex has been constructed. Approximately 62 acres within the District are served with trunk utilities for commercial development including multiple retail shopping centers, a CVS pharmacy, a day care, a gas station/convenience store with attached retail, a self-storage facility and a 140,000 square foot shopping center anchored by a Kroger grocery store. An elementary school has been constructed on approximately 15 acres. In addition, approximately 110 acres have been developed as a recreation center/parks and open spaces, and approximately 247 acres are undevelopable (detention and drainage facilities, street right-of-way and lift station site). See “THE DISTRICT.”

Homebuilders Homebuilders actively building within the District are: Darling Homes, Newmark Homes, Meritage Homes, Partners in Building, Sitterle, Taylor Morrison Homes, Westport Homes, DR Horton and Trendmaker Homes. New homes in the District range in offering prices from approximately \$300,000 to over \$1,000,000.

The Developers and Landowners The original developers of land within the District were Hillsboro Estates, LLC, a Texas limited liability company (“Hillsboro Estates”), Sugar Land Ranch Development, LLC, a Texas limited liability company (“Sugar Land Ranch LLC”), Sugar Land Ranch Development II Corp., a Texas corporation (“Sugar Land Ranch II”) and Riverstone 250, Inc., a Texas corporation (“Riverstone 250, Inc.”). All of the above entities are directly or indirectly owned and/or controlled by Larry D. Johnson, Lawrence Wong and Rocky Lai. Hillsboro Estates, Sugar Land Ranch LLC, Sugar Land Ranch II and Riverstone 250, Inc, are collectively referred to herein as the “Original Developers.” The Original Developers currently own approximately 81 acres of undeveloped land in the District.

In a series of transactions beginning in 2011, Taylor Morrison of Texas Inc., a Texas corporation (“Taylor Morrison”) purchased 759 acres from the Original Developers to develop such acreage as single-family lots. Taylor Morrison began developing such acreage as Avalon at Riverstone in 2012. Taylor Morrison is also a homebuilder in Avalon at Riverstone. Taylor Morrison owns approximately 115 acres of undeveloped land in the District.

In 2012, Westin Homes and Properties, L.P. , a Texas limited partnership, (“Westin”) purchased approximately 29 acres from the Original Developers to develop such acreage as single family lots. Westin Homes began developing such acreage as Alden Springs in 2013 and is the homebuilder in Alden Springs, Westin Homes does not own any undeveloped land in the District.

In 2013, Toll Houston TX, LLC, a Texas limited liability company (“Toll”) purchased approximately 21 acres from the Original Developers to develop such acreage as single-family lots. Toll began developing such acreage as Pecan Ridge in 2014, Toll does not own any undeveloped land in the District.

In 2013, Enclave at Riverstone, LLC, a Texas limited liability company (“Enclave”) purchased approximately 26 acres from the Original Developers, of which approximately 19 acres are within the boundaries of the District, to develop such acreage as single-family lots. Enclave began developing such acreage as The Enclave in 2014. Enclave does not own any undeveloped land in the District.

An affiliate of the Original Developers is acting as a fee developer to develop the land purchased by Taylor Morrison, Westin, Toll and Enclave.

In 2011, Meritage Homes of Texas LLC, a Texas limited liability corporation (“Meritage”) purchased 55 acres from the Original Developers to develop such acreage as single-family lots. Meritage began developing such acreage as Auburn Manor in 2012. Meritage is also a homebuilder in Auburn Manor.

In 2013, Meritage entered into contract to purchase an additional 140 acres from the Original Developers. Meritage assigned that contract to a land banker, Community Development Capital Group, LLC, a Delaware limited liability corporation (“CDCG”). Meritage is responsible for developing the 140 acres and purchases lots from CDCG once the lots are completed. Meritage has completed construction or is currently constructing underground facilities on approximately 113 acres, which is being marketed as Ivory Ridge and Riverstone North. Approximately 27 acres remain to be developed of the 140-acre tract. On April 25, 2016, the District annexed an additional 57 acres owned by Meritage. Such acreage has been developed as single family residential (Clements Crossing) but is not marketed as part of Riverstone.

The Original Developers, Taylor Morrison, Meritage, Westin, Toll and Enclave are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Flood Protection..... The District has reclaimed land from the Brazos River through fill and the construction of a 6.3 mile earthen levee. The Developers advanced funds on behalf of the District to finance the construction of the levee which removed all developable acreage within the District from the current Brazos River 100-year floodplain designation. Prior to completion of the levee, the development within the District encompassing Crossing Cove at Riverstone, Sections 1 and 2, Crossing at Riverstone, Sections 2 and 3, and Brookside at Riverstone included raising the elevation of land with the application of fill dirt to an elevation to remove the developed lots in the sections from the current Brazos River 100-year floodplain designation. These sections are also protected by the levee. Additional drainage improvements, including stormwater detention, outfall and other drainage structures will be required to fully develop the remaining undeveloped land in the District. See “FLOOD PROTECTION.”

Water and Wastewater Facilities Approximately 1,768 acres within the District are located within Fort Bend County Municipal Utility District No. 128 (“MUD 128”), approximately 385 acres within the District are located within Fort Bend County Municipal Utility District No. 129 (“MUD 129”) and approximately 98 acres within the District are located within Fort Bend County Municipal District No. 149 (“MUD 149”). Each of MUD 128, MUD 129 and MUD 149 provides water, wastewater and certain storm drainage facilities to the property within their respective boundaries. Approximately 57 acres located within the City of Sugar Land city limits have been annexed into the District. Water and sewer service for this tract are provided by the City of Sugar Land.

Various development entities are advancing funds on behalf of MUD 128 to finance the construction of the water and wastewater facilities to serve portions of the land within MUD 128, which is within the boundaries of the District. MUD 128 has issued \$98,525,000 principal amount of unlimited tax bonds, \$90,66,000 of which is currently outstanding (including \$11,450,000 Unlimited Tax Bonds, Series 2018 which are expected to be issued on December 20, 2018). Principal and interest on such bonds is payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within MUD 128’s boundaries. MUD 128 plans to issue additional bonds in the future to reimburse the developers of land in its boundaries for the costs of MUD 128 facilities currently being constructed as well as facilities to be constructed in the future. MUD 129, which is also within the boundaries of the District, has issued \$39,385,000 principal amount of unlimited tax bonds, \$19,065,000 of which is currently outstanding, and has no current plans to issue additional bonds in the future to finance facilities. Principal and interest on such bonds is payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within MUD 129’s boundaries. MUD 149, which is also within the boundaries of the District, has issued \$27,905,000 principal amount of unlimited tax bonds, \$25,145,000 of which is currently outstanding. Principal and interest on such bonds is payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within MUD 149’s boundaries. MUD 149 plans to issue additional bonds in the future to reimburse the developers

of the approximately 98 acres of land which were recently annexed into the District, for the costs of MUD 149 facilities currently being constructed as well as facilities to be constructed in the future. MUD 128 set a 2018 tax rate of \$0.60 per \$100 assessed valuation, MUD 129 set a 2018 tax rate of \$0.33 per \$100 assessed valuation and MUD 149 set a 2018 tax rate of \$0.50 per \$100 assessed valuation. See “ESTIMATED OVERLAPPING DEBT STATEMENT” and “INVESTMENT CONSIDERATIONS— Overlapping Taxes.”

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.”

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SELECTED FINANCIAL INFORMATION

2018 Taxable Assessed Valuation	\$1,931,532,149 (a)
Estimated Taxable Assessed Valuation as of October 15, 2018	\$2,096,723,249 (b)
 Gross Debt Outstanding (after the issuance of the Bonds)	 \$103,245,000
Estimated Overlapping Debt	<u>174,988,599 (c)</u>
Gross Debt and Estimated Overlapping Debt	\$278,233,599
 Ratios of Gross Debt to:	
2018 Taxable Assessed Valuation	5.35%
Estimated Taxable Assessed Valuation as of October 15, 2018	4.92%
 Ratios of Total Gross Debt and Estimated Overlapping Debt to:	
2018 Taxable Assessed Valuation	14.40%
Estimated Taxable Assessed Valuation as of October 15, 2018	13.27%
 2018 Tax Rate:	
Debt Service.....	\$0.50
Maintenance and Operations.....	<u>0.12</u>
Total District Tax Rate.....	\$0.62 (d)
 Average percentage of total tax collections (2013-2017).....	 99.85%
 Maximum Annual Debt Service Requirements (2020) of the Bonds and the Outstanding Bonds (“Maximum Requirement”)	 \$9,993,134
 Average Annual Debt Service Requirements (2019-2040) of the Bonds and the Outstanding Bonds (“Average Annual Requirement”)	 \$6,494,007
 Tax rate required to pay Maximum Annual Requirement based upon:	
2018 Taxable Assessed Valuation at a 95% collection rate	\$0.55
Estimated Taxable Assessed Valuation as of October 15, 2018 at a 95% collection rate.....	\$0.51
 Tax rate required to pay Average Annual Requirement based upon:	
2018 Taxable Assessed Valuation at a 95% collection rate	\$0.36
Estimated Taxable Assessed Valuation as of October 15, 2018 at a 95% collection rate.....	\$0.33
 Water Connections as of October 28, 2018:	
Single-family residential – completed and occupied	3,229
Single-family residential – vacant.....	17
Single-family residential – under construction	215
Multi-Family (600 units).....	21
Commercial.....	23

Estimated 2018 Population – 12,501 (e)

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$1,926,108,808 as of January 1, 2018. According to the Appraisal District, there are properties remaining uncertified totaling \$5,423,341. See “TAX PROCEDURES.”
- (b) As estimated by the Appraisal District as of October 15, 2018 for informational purposes only. The 2018 assessed valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2018 to October 15, 2018. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District, See “TAX PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) In addition to the District’s tax, MUD 128, MUD 129 and MUD 149 levy a tax against all taxable property within their respective boundaries, which includes a portion of the land within the District. MUD 128 set a 2018 tax rate in the amount of \$0.60 per \$100 assessed valuation, MUD 129 set a 2018 tax rate in the amount of \$0.33 per \$100 assessed valuation, and MUD 149 set a 2018 tax rate in the amount of \$0.50 per \$100 assessed valuation. See “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2018” and “INVESTMENT CONSIDERATIONS—Overlapping Taxes.”
- (e) Based on 3.5 persons per single family connection and 2 persons per apartment unit.

OFFICIAL STATEMENT

\$8,925,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 15
(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX LEVEE IMPROVEMENT BONDS
SERIES 2019

This Official Statement provides certain information in connection with the issuance by Fort Bend County Levee Improvement District No. 15 (the "District") of its \$8,925,000 Unlimited Tax Levee Improvement Bonds, Series 2019 (the "Bonds").

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the developers of land within 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 the District upon payment of the costs of duplication therefor.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from February 1, 2019, with interest payable on each September 1 and March 1 commencing September 1, 2019 (seven months of interest), until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on September 11, 2004, the voters of the District authorized the issuance of a total of \$106,180,000 principal amount of unlimited tax levee improvement bonds for levee and drainage facilities. The Bonds are issued pursuant to such authorization. The Commission has approved the sale of the Bonds for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS." 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 up on the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an Order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

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

Funds

In the Bond Resolution, the Levee, Drainage and Park 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 Road Debt Service Fund that is not pledged to the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds shall be deposited into the Levee, Drainage and Park Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, will be deposited into the Levee Capital Projects Fund, for the purpose of financing certain construction costs and for paying the costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Record Date

The record date for payment of the interest on any regularly scheduled Interest Payment Date is defined as the 15th day of the month (whether or not a business day) preceding such Interest Payment Date.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2024, or 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.

Mandatory Redemption: The Bonds due on September 1, 2039 (the "Term Bonds") also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (the "Mandatory Redemption Dates") and in the principal amounts set forth below, subject to proportionate reduction at a redemption price of par plus accrued interest to the date of redemption:

\$700,000 Term Bonds	
Due September 1, 2039	
Mandatory Redemption Date	Principal Amount
2038	\$ 350,000
2039 (maturity)	350,000

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

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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 fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

The Bank of New York Mellon Trust Company, N.A., is the initial paying agent/registrar (the “Paying Agent/Registrar”, “Paying Agent” or “Registrar”) for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will only be transferred in accordance with the procedures described herein under “BOOK-ENTRY-ONLY SYSTEM.”

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.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is 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, stolen or destroyed, 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.

Issuance of Additional Debt

After issuance of the Bonds, the District will have \$29,070,000 principal amount of unlimited tax levee improvement bonds authorized but unissued for levee and drainage facilities, \$51,320,000 principal amount of unlimited tax bonds for refunding purposes authorized but unissued, no remaining authorization for road facilities, and \$17,250,000 principal amount of unlimited tax bonds for parks and recreational facilities authorized but unissued. 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 "USE AND DISTRIBUTION OF BOND PROCEEDS— Future Debt."

Annexation by the City of Missouri City and City of Sugar Land

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of the extraterritorial jurisdiction depends in part on the city's population. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation. Approximately 483 acres of the District are located within the extraterritorial jurisdiction of the City of Missouri City and approximately 1,784 acres of the District are located within the extraterritorial jurisdiction of the City of Sugar Land (the City of Missouri City and the City of Sugar Land, collectively, the "Cities"). Such Cities may annex the subject tracts located within their extraterritorial jurisdictions pursuant to Chapter 42, Texas Local Government Code. In addition, approximately 127 acres of the District are currently located within the corporate limits of the City of Sugar Land.

By law, if any portion of land in the District is annexed by a city, the District will continue to exist. Typically, at the time of annexation the municipal utility district within such annexed area would be dissolved and upon annexation the tax rate of the City would be imposed on the annexed land. Thereafter, the aggregate tax rate on property in the District which has been annexed by a City will increase by the amount of the city's then existing tax rate and decrease by the dissolved municipal utility district's then existing tax rate.

The Developers, the municipal utility districts with territory within the District (the "MUDs") and the Cities have entered into various agreements that limit the Cities' right to annex land in the District until (i) at least 90% of the developable acreage within a MUD has been developed with water, wastewater and drainage facilities, and (ii) the Developers have been reimbursed to the maximum extent permitted by the rules of the Commission or the Cities assume the MUDs' obligation to reimburse the Developers.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investment quality as currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies,

clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

Fort Bend County Levee Improvement District No. 15 (the "District") is a conservation and reclamation district created by order of the Commissioners Court of Fort Bend County, Texas on September 19, 2000, and operates under the provisions of Chapters 49 and 57 of the Texas Water Code, Senate Bill 1883 (78th Legislature), and other general statutes applicable to levee improvement districts. A portion of the District lies within the extraterritorial jurisdiction of the City of Missouri City, and the balance of the District lies partially within the extraterritorial jurisdiction of the City of Sugar Land and partially within the City of Sugar Land's corporate limits.

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

Description and Location

The District contains approximately 2,398 acres of land. The District is located approximately 21 miles southwest of downtown Houston. The District is located approximately 3 miles south of U.S. Highway 59 (the "Southwest Freeway") and is accessible via the Southwest Freeway to Texas State Highway 6, and then south to the Riverstone entrances. See "AERIAL PHOTOGRAPH."

Land Use

The District is part of the approximately 3,700-acre master planned community known as "Riverstone." The District is one of two levee improvement districts that serve Riverstone. At full development, Riverstone is projected to include single family, multifamily, townhome and commercial development. Development activities in the District began in 2004. The District currently includes approximately 1,741 developed acres of single-family residential development (3,768 lots), approximately 191 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities, approximately 31 acres on which two apartment complexes have been constructed, approximately 62 acres which are served with trunk utilities and improvements for commercial development, approximately 15 acres on which an elementary school has been constructed, approximately 110 acres which are developed as a recreation center/parks and open spaces, and approximately 247 acres which are undevelopable (detention and drainage facilities, street right-of-way and lift station site).

The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate <u>Acres</u>	<u>Lots</u>
Alden Springs (MUD 128):		
Section 1	15	40
Section 2	15	42
Auburn Manor at Riverstone (MUD 128):		
Section 1	16	55
Section 2.....	21	73
Section 3.....	23	70
Avalon at Riverstone (MUD 128):		
Section 1	47	86
Section 2.....	32	70
Section 3.....	26	75
Section 4	49	61
Section 5	30	63
Section 6	27	68
Section 7	11	10
Section 8	22	79
Section 9	26	60
Section 10A	28	62
Section 10B.....	15	33
Section 11A	10	10
Section 11B	40	67
Section 12A	11	31
Section 12B	14	50
Section 12C	12	42
Section 15A	17	24
Section 15B, Phase 1	4	7
Section 15B, Phase 2	14	31
Section 16A	16	35
Section 16B.....	19	27
Section 17.....	18	33
Section 18A	14	35
Section 18B.....	23	62
Section 20	42	97
Section 21	24	84
Section 22	43	71
Section 23	16	10
Section 24A	8	21

Brookside at Riverstone (MUD 129).....	30	50
Clements Crossing (not located within a MUD; City of Sugar Land):		
Section 1.....	18	50
Section 2.....	39	97
Crescent View Estates at Riverstone (MUD 129).....	18	20
Crossing at Riverstone (MUD 129):		
Section 2.....	32	44
Section 3.....	28	47
Crossing Cove at Riverstone (MUD 129):		
Section 1.....	38	97
Section 2.....	23	75
Edgewood at Riverstone (MUD 128):		
Section 1.....	15	44
Section 2.....	24	69
Enclave, Section 1 (MUD 128).....	20	32
Enclave, Section 2 (MUD 129).....	7	10
Hartford Landing (MUD 129):		
Section 1.....	22	38
Section 2.....	27	16
Kensington at Riverstone (MUD 129):		
Section 1.....	24	62
Section 2.....	12	42
Ivory Ridge at Riverstone (MUD 128).....	34	102
Ivy Bend at Riverstone (MUD 128).....	11	10
Majestic Pointe at Riverstone (MUD 128)	18	27
Marble Bend at Riverstone (MUD 128):		
Section 1.....	25	26
Section 2.....	14	39
Section 3.....	12	36
Meridian Park (MUD 129)	25	31
Nandina at Riverstone (MUD 129)	17	39
Olive Hill at Riverstone (MUD 128).....	20	45
Pecan Ridge at Riverstone (MUD 128).....	32	50
Prestwick (MUD 128).....	48	62
Providence at Riverstone (MUD 128):		
Section 1.....	8	27
Section 2.....	10	30
Riverstone North (MUD 128):		
Section 1.....	19	65
Section 2.....	16	42
Section 3.....	18	63
Section 4.....	14	51
Section 5.....	12	34
Section 6.....	6	14
Section 7.....	9	8
Sanders Glen at Riverstone (MUD 128).....	32	90
Senova at Riverstone (MUD 129):		
Section 1.....	21	60
Section 2.....	12	41
Section 3.....	23	73

Silver Grove at Riverstone (MUD 128):		
Section 1.....	11	20
Section 2.....	23	43
The Island at Riverstone (MUD 128).....	53	9
The Villas (MUD 128).....	10	40
Vintage Trail at Riverstone (MUD 128).....	29	55
Waterside at Riverstone (MUD 128).....	13	18
Whisper Rock (MUD 128).....	21	41
Subtotal	<u>1,741</u>	<u>3,768</u>
Multi-family (MUD 128) (a).....	31	-
Commercial (MUD 128) (b).....	62	-
Elementary School (MUD 128).....	15	-
Recreation Center/Parks and Open Spaces (c).....	110	-
Future Development (MUD 128 and MUD 149).....	191	-
Non-Developable (d).....	<u>247</u>	<u>-</u>
Totals.....	2,397	3,768

- (a) Includes a 249-unit apartment complex on approximately 13 acres and a 351-unit apartment complex on approximately 18 acres.
- (b) See “Status of Development–Commercial Development.”
- (c) Includes a 17-acre recreation center. See “Status of Development—Community Facilities.”
- (d) Includes detention and drainage facilities, street right-of-way and lift station site.

Status of Development

Single-Family Residential: As of October 28, 2018, the District contained 3,229 single-family homes completed and occupied, 17 single-family homes completed and not occupied, 215 single-family homes in various stages of construction and 307 vacant lots.

Homebuilding: Homebuilders actively building within the District are: Darling Homes, Newmark Homes, Meritage Homes, Partners in Building, Sitterle, Taylor Morrison Homes, Westport Homes, DR Horton and Trendmaker Homes. New homes in the District range in offering prices from approximately \$300,000 to over \$1,000,000.

Multi-Family Residential: A 249-unit apartment complex, The Retreat at Riverstone, has been constructed on approximately 13 acres in the District. Additionally, a 351-unit apartment complex, Stella at Riverstone, has been constructed on approximately 18 acres in the District.

Commercial Development: Approximately 62 acres within the District are served with trunk utilities for commercial development including multiple retail shopping centers, a CVS pharmacy, a day care, a gas station/convenience store with attached retail, a self-storage facility and a 140,000 square foot shopping center anchored by a Kroger grocery store.

Community Facilities: The Original Developers have constructed an information center and recreational amenities which include walking trails and three recreation centers with facilities, including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents.

Additional community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within two miles of the District along areas adjacent to State Highway 6 and US Highway 59. Fire protection for the District is provided by the City of Sugar Land's Fire Department. Medical care for District residents is available from two hospitals which are within 10 miles of the District. The land within the District is located within the boundaries of Fort Bend Independent School District, and children within the District attend elementary, middle and high schools of Fort Bend Independent School District located within three miles of the development in the District. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather; Hurricane Harvey.”

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. The Directors are elected by precinct within the District. Vacancies are filled by appointment by the Board until the expiration of the term. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darrell Groves	President	May 2020
Girish Misra	Vice President/ Asst. Secretary	May 2020
Rohit Sankholkar	Secretary	May 2022
Premal Shah	Assistant Vice President	May 2022
Jeffrey Anderson	Assistant Secretary	May 2022

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

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Tax Tech, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District has engaged Avanta Services to serve as the District's bookkeeper.

System Operator

The District contracts with Levee Management Services, LLC for maintenance and operation of the District's flood protection system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Costello, Inc. (the "Engineer").

Attorney

The District has engaged The Muller Law Group, PLLC, as general counsel and as Bond Counsel in connection with the issuance of the 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 earned upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor 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.

Disclosure Counsel

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

Auditor

The District's audited financial statements for the fiscal year ending September 30, 2017 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2017 audited financial statement. The District has engaged McGrath & Co., PLLC to audit its financial statements for the period ending September 30, 2018.

THE DEVELOPERS AND LANDOWNERS

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 roads 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 Commission to pave streets in sections being financed with proceeds of the Bonds, 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.

None of the Developers (hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers has a binding commitment to the District to carry out any plan of development and each of the Developers may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect Riverstone in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See "INVESTMENT CONSIDERATIONS."

Hillsboro Estates, LLC, Sugar Land Ranch Development, LLC, Sugar Land Ranch Development II Corp. and Riverstone 250, Inc.

The original developers of land within the District are Hillsboro Estates, LLC, a Texas limited liability company ("Hillsboro Estates"), Sugar Land Ranch Development, LLC, a Texas limited liability company, ("Sugar Land Ranch LLC"), Sugar Land Ranch Development II Corp., a Texas corporation ("Sugar Land Ranch II") and Riverstone 250, Inc., a Texas corporation ("Riverstone 250, Inc.") All of the above entities are directly or indirectly owned and/or controlled by Larry D. Johnson, Lawrence Wong and Rocky Lai. Hillsboro Estates, Sugar Land Ranch LLC, Sugar Land Ranch II and Riverstone 250, Inc. are collectively referred to herein as the "Original Developers." These entities currently own 81 acres of undeveloped land in the District.

Each of these entities was created to own and/or develop land in the Riverstone project, and all of the assets and liabilities of these entities are related solely to the Riverstone project.

Taylor Morrison of Texas, Inc., Meritage Homes of Texas LLC, Westin Homes and Properties, L.P., Toll Houston TX, LLC, and Enclave at Riverstone, LLC

In a series of transactions beginning in 2011, Taylor Morrison of Texas Inc., a Texas corporation ("Taylor Morrison") purchased 857 acres from the Original Developers to develop such acreage as single-family lots. Taylor Morrison began developing such acreage as Avalon at Riverstone in 2012. Taylor Morrison is also a homebuilder in Avalon at Riverstone. Taylor Morrison owns approximately 115 acres of undeveloped land in the District, including the recently annexed 98 acres.

In 2012, Westin Homes and Properties, LP., a Texas limited partnership, ("Westin") purchased approximately 29 acres from the Original Developers to develop such acreage as single-family lots. Westin began developing such acreage as Alden Springs in 2013 and is the homebuilder in Alden Springs. Westin does not own any undeveloped land in the District.

In 2013, Toll Houston TX, LLC, a Texas limited liability company ("Toll") purchased approximately 21 acres from the Original Developers to develop such acreage as single-family lots. Toll began developing such acreage as Pecan Ridge in 2014. Toll does not own any undeveloped land in the District.

In 2013, Enclave at Riverstone, LLC, a Texas limited liability company (“Enclave”) purchased approximately 26 acres from the Original Developers, of which approximately 19 acres are within the boundaries of the District, to develop such acreage as single-family lots. Enclave began developing such acreage as The Enclave in 2014. Enclave does not own any undeveloped land in the District.

An affiliate of the Original Developers is acting as a fee developer to develop the land purchased by Taylor Morrison, Westin, Toll and Enclave.

In 2011, Meritage Homes of Texas LLC, a Texas limited liability corporation (“Meritage”) purchased 55 acres from the Original Developers to develop such acreage as single-family lots. Meritage began developing such acreage as Auburn Manor in 2012. Meritage is also a homebuilder in Auburn Manor. Meritage does not own any undeveloped land in the District.

In 2013, Meritage purchased 140 acres of land in the District, all of which has been developed as Riverstone North. In 2016, the District annexed an additional 57 acres owned by Meritage. Such acreage has been developed as the single family residential development of Clements Crossing, which is not part of Riverstone.

The Original Developers, Taylor Morrison, Meritage, Westin, Toll and Enclave are collectively referred to herein as the “Developers.”

Development Management

The overall development of the Riverstone project is being managed by The Johnson Development Corp. Larry D. Johnson, President of The Johnson Development Corp., has over 40 years of experience in real estate development. Mr. Johnson's real estate activities include over 77 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston metropolitan area, Mr. Johnson has been involved in the development of Steeplechase, Sienna Plantation, Silverlake, Fall Creek, Tuscan Lakes, Edgewater and Woodforest.

FLOOD PROTECTION

Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency (“FEMA”), all of the developable land within the District has been removed from the 100-year floodplain of the Brazos River. Flood protection is being provided by the District. Hillsboro Estates and Sugar Land Ranch Development, L.L.C. advanced funds on behalf of the District to finance the construction of a levee which has been completed and removed all developable acreage within the District from the current 100-year floodplain designation of the Brazos River. The levee system includes drainage ditches, detention/lake systems, outfall structures and pumping stations necessary to remove land in the District from the 100-year flood plain of the Brazos River. The development within MUD 129 encompassing Crossing Cove at Riverstone, Sections 1 and 2, Crossing at Riverstone, Sections 2 and 3, and Brookside at Riverstone included raising the elevation of land with the application of fill dirt to an elevation to remove the developed lots in the sections from the current 100-year floodplain designation of the Brazos River. These sections are also protected by the levee.

An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the District, property values could be reduced and the marketing of homes and the future growth of property values in the District could be adversely affected. At the time of construction the District’s levee and drainage system were reviewed and approved by all entities with regulatory jurisdiction over the system. See “WATER SUPPLY AND WASTEWATER SYSTEM.” However, the system does not protect against all flooding scenarios. There are at least four instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (or breach) of the levee system, (3) rainfall in excess of what the drainage system is designed for, or (4) failure of stormwater pumping facilities during coincident river events.

The District’s levee system is part of a regional perimeter levee system that protects approximately 12,142 acres of property in Fort Bend County. The District, together with 7 other levee improvement districts and municipal utility districts, has entered into an agreement relating to the operation and maintenance of the perimeter levee system to ensure that all participants have constructed and maintain their individual levee systems to meet applicable federal, state and local criteria for flood protection. An overtopping or failure (or breach) of any participant’s levee system could result in regionalized flooding for all or part of the area protected by the perimeter levee system. See “INVESTMENT CONSIDERATIONS.”

There are three pump stations currently or proposed to serve three separate watersheds within District. The pump station serving the Steep Bank Creek watershed is jointly owned and operated by Fort Bend County Levee Improvement District No. 19 (“LID 19”) and the District. According to an independent engineer engaged by LID 19 to perform a study following Hurricane Harvey, the firm pumping capacity at this pump station may be insufficient to provide stormwater drainage from a portion of the District during a coincident river event. To address such shortfall the District and LID 19 have, on an interim basis, acquired portable trailer mounted pumps and, on a long term basis, determined to design and construct additional pumping capacity at this pump station. A portion of the proceeds of the Bonds will be used to finance the cost of the design and construction of additional pumping capacity.

The design of the levee and pump station systems are subject to regulations set forth by the Fort Bend County Drainage District (“FBCDD”). The current FBCDD regulations are based on previously published rainfall data by the National Weather Service in 1961 (TP-40). Since the publication of TP-40, the National Oceanic and Atmospheric Administration in September 2018 published new rainfall data for Texas in its Atlas 14, Volume 11, report (Atlas 14). Under Atlas 14, increased rainfall frequency values may require additional drainage improvements to meet FBCDD infrastructure design requirements and floodplain regulations. At this time, FBCDD has not formally adopted Atlas 14 in its regulatory requirements, but it is anticipated that such adoption may be forthcoming. If adopted, the District may evaluate its current drainage systems and chose to expand or improve its facilities to be more resilient under the new rainfall data; however, there are no current requirements that existing infrastructure be modified or improved. The District has no cost estimates for such improvements.

THE ROAD SYSTEM

There are three major thoroughfares that lie within the District’s boundaries. They include Oilfield Road (formerly Lake Olympia Boulevard), LJ Parkway and University Boulevard. All three roads are included on the City of Sugar Land, City of Missouri City and/or Fort Bend County’s thoroughfare plan. There are also four collector roads completed within the District. Winding Waters Lanes, West Avalon Drive, East Avalon Drive and Cabrera Road have been completed within the District. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are also located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone and cable). Upon completion of road projects and following a one-year maintenance period, the County accepts the roadways into its maintenance program.

PARK FACILITIES

The park system includes landscaping and public recreational improvements to serve the District. The park system is connected by sidewalks within the subdivision. Proceeds of the Unlimited Tax Park Bonds, Series 2017 were used to reimburse the Developers for funds advanced to or on behalf of the District for the design and construction of the park and recreational facilities. In addition to the park system, recreational facilities located within the District presently include an information center and recreational amenities which includes walking trails and three recreation centers with facilities including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents.

WATER SUPPLY AND WASTEWATER SYSTEM

Water Supply Facilities

Water supply for the property within MUD 129 is provided by the City of Missouri City pursuant to a Joint Groundwater Reduction Plan. Pursuant to the District’s Groundwater Reduction Plan with the City, the City provides to MUD 129 surface water which is intended to be MUD 129’s primary source of potable water. The City currently owns and operates a 10 million gallon per day surface water plant, which is located south of MUD 129 and within the Sienna Plantation master planned community. The City began delivering surface water to the District in July 2016. In addition to the surface water supply within the City, MUD 129 participates in a Regional Water Supply Agreement, dated October 27, 2014, among MUD 129, Fort Bend County Municipal Utility District No. 115 (“MUD 115”), Fort Bend County Municipal Utility District No. 149 (“MUD 149”), and Fort Bend County Municipal Utility District No. 46 (“MUD 46”) (the “RWSA”). Under the RWSA, the participants can receive supplemental ground water supply service from two water supply plants consisting of two wells with a capacity of 3,600 gallons per minute (“gpm”), four 500,000-gallon ground storage tanks, booster pumps totaling 11,350 gpm capacity, 120,000 gallons of pressure tanks capacity, and appurtenant equipment. Currently, under the RWSA, MUD 129 has purchased sufficient water supply capacity to serve 1,409 equivalent single-family connections (“ESFC”). MUD 129 will use such water capacity as a secondary supplement source of potable water. Currently, under the RWSA, MUD 149 has sufficient water supply capacity to serve 1,520 ESFCs.

The City of Sugar Land provides water supply to the property within MUD 128 that is within the District and will provide water supply to the remaining portion of the District within the City of Sugar Land’s extraterritorial jurisdiction and the small portion of land within the City of Sugar Land’s corporate limits.

Each of MUD 128, MUD 129 and MUD 149 provides water, wastewater and certain storm drainage facilities to the property within their respective boundaries.

Source of Wastewater Treatment

The City of Missouri City provides wastewater treatment to MUD 129 and MUD 149 pursuant to a Regional Wastewater Treatment Contract between the City of Missouri City, MUD 129 and MUD 149. The City of Sugar Land provides wastewater treatment to MUD 128 pursuant to a Water Supply and Wastewater Services contract between the City of Sugar Land and MUD 128.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used to finance (1) construction and engineering of improvements to serve (a) Wetland Park at Riverstone clearing and grubbing, (b) Riverstone Wetland Park, (c) Riverstone Cypress Bend Wetland Park Phase 2, (d) University Boulevard and Cypress Bend wetland planting and irrigation, (e) Alcorn Bayou mitigation wetland, (f) Riverstone wetland shelf planting, (g) Wetland at 6 acre Lake, (h) Snake Slough pump stations, (i) Snake Slough/Steep Bank Creek interconnect, (j) Steep Bank Creek pump station expansion, and (k) Riverstone North wetland park and (2) land costs. In addition, proceeds of the Bonds will be used to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. The estimated use and distribution of Bond proceeds is shown below:

CONSTRUCTION COSTS

Construction and Engineering Costs Approved by the TCEQ.....	\$ 7,074,042
Land Costs Approved by the TCEQ.....	<u>920,578</u>
Total Construction Costs.....	\$ 7,994,620

NON-CONSTRUCTION COSTS

• Underwriter’s Discount (a).....	\$ 251,457
• Developer Interest.....	<u>190,286</u>
Total Non-Construction Costs.....	\$ 441,743

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 381,106
• Bond Engineering Report.....	60,000
• State Regulatory Fees.....	31,238
• Contingency (a).....	<u>16,293</u>
Total Issuance Costs and Fees.....	\$ 488,637
TOTAL BOND ISSUE.....	\$ 8,925,000

(a) The TCEQ approved a maximum amount of Bond discount of 3.00%. Contingency represents the difference between the estimate and actual Underwriter’s Discount.

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

Future Debt

After sale of the Bonds, approximately \$2,700,000 remains due to the Developers for design, construction and acquisition of District levee and drainage facilities. The District has entered into contracts in the estimated amount of \$15,000,000 for the construction of public parks and recreational facilities to serve the District. On August 24, 2015, the District entered into a cost sharing agreement for regional recreational facilities with Fort Bend County Levee Improvement District No. 19 by which parks and recreational facilities constructed by either district will be shared and the allocation of costs for such facilities will be shared on a pro rata acreage basis between the districts. Costs for the District’s share of parks and recreational facilities, and related design fees, have been pre-financed by the Developers, and the District’s obligation to reimburse the Developers for such costs are limited by the Chapter 49, Texas Water Code, the TCEQ Rules, and applicable agreements between the Developers and the District. Currently, the District’s ability to issue bonds to reimburse for parks and recreational facilities is limited to 1% (outstanding bonds) of the District’s certified assessed value. The District anticipates the issuance of additional bonds in the future for recreation facilities. Currently, the Developers have expended approximately \$4,000,000 (as of November 30, 2018) for parks and recreational facilities not yet reimbursed. The District can make no representation that any additional development will occur within the District. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District’s authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
9/11/2004	Levee and Drainage	\$ 106,180,000	\$ 77,110,000 *	\$ 29,070,000
9/11/2004	Road	29,000,000	29,000,000	-
9/11/2004	Recreational Facilities	29,000,000	11,750,000	17,250,000
9/11/2004	Refunding Bonds	53,090,000	1,770,000	51,320,000

* Includes the Bonds.

FINANCIAL STATEMENT

2018 Taxable Assessed Valuation	\$1,931,532,149 (a)
Estimated Taxable Assessed Valuation as of October 15, 2018	\$2,096,723,249 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$103,245,000
Estimated Overlapping Debt	<u>174,988,599</u> (c)
Gross Debt and Estimated Overlapping Debt	\$278,233,599
Ratios of Gross Debt to:	
2018 Taxable Assessed Valuation	5.35%
Estimated Taxable Assessed Valuation as of October 15, 2018	4.92%

Area of District – 2,398 acres
 Estimated 2018 Population – 12,501 (d)

- (a) The Fort Bend Central Appraisal District (the “Appraisal District”) has certified \$1,926,108,808 as of January 1, 2018. According to the Appraisal District, there are properties remaining uncertified totaling \$5,423,341.
- (b) As estimated by the Appraisal District as of October 15, 2018 for informational purposes only. The 2018 assessed valuation established by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2018 to October 15, 2018. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District, See "Tax Procedures."
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) Based on 3.5 persons per single family connection and 2 persons per apartment unit.

Cash and Investment Balances (unaudited as of December 19, 2018)

Operating Fund	Cash and Temporary Investments	\$2,086,161
Levee and Drainage Capital Projects Fund	Cash and Temporary Investments	\$92,736
Road Capital Projects Fund	Cash and Temporary Investments	\$343,778
Park Capital Projects Fund	Cash and Temporary Investments	\$814,913
Levee, Drainage and Park Debt Service Fund	Cash and Temporary Investments	\$8,395,406 (a)
Road Debt Service Fund	Cash and Temporary Investments	\$1,845,701 (a)

(a) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Funds. Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities (the "Road Bonds"), and a pro rata portion will be allocated to bonds sold for levee, drainage and park facilities including the Bonds (the "Levee, Drainage and Park Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Road Debt Service Fund is not pledged to the Levee, Drainage and Park Bonds and the Levee, Drainage and Park Debt Service Fund is not pledged to the Road Bonds.

Outstanding Bonds (as of December 1, 2018)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds (as of 12/1/18)</u>
2012	\$ 7,990,000	\$ 6,700,000
2013	6,000,000	5,390,000
2013 Road	11,200,000	9,845,000
2013 Refunding	6,505,000	6,000,000
2014 Road	7,625,000	6,765,000
2015 Road	3,975,000	3,525,000
2015	20,250,000	17,250,000
2015 Refunding	5,360,000	4,870,000
2016 Road Refunding	4,250,000	4,015,000
2017	17,770,000	17,525,000
2017 Park	11,750,000	8,750,000
2017 Refunding	3,715,000	3,685,000
Total	\$ 106,390,000	\$ 94,320,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 593,940,527	10/31/2018	2.88%	\$ 17,105,487
Fort Bend Independent School District.....	1,000,633,767	10/31/2018	5.50%	55,034,857
Fort Bend County MUD 128.....	90,660,000 (a)	10/31/2018	100.00%	90,660,000
Fort Bend County MUD 129.....	19,065,000	10/31/2018	63.93%	12,188,255
Total Estimated Overlapping Debt.....				\$ 174,988,599
The District.....	103,245,000 (b)	Current	100.00%	103,245,000
Total Direct and Estimated Overlapping Debt.....				\$ 278,233,599

Ratios of Gross Debt and Estimated Overlapping Debt to:

2018 Taxable Assessed Valuation	14.40%
Estimated Taxable Assessed Valuation as of October 15, 2018	13.27%

(a) Includes the Unlimited Tax Bonds, Series 2018 expected to be issued on December 20, 2018.

(b) Includes the Outstanding Bonds and the Bonds.

Overlapping Tax Rates for 2018

	2018 Tax Rate per \$100 of Taxable Assessed Valuation (MUD 128)	2018 Tax Rate per \$100 of Taxable Assessed Valuation (MUD 129)	2018 Tax Rate per \$100 of Taxable Assessed Valuation (MUD 149) (a)
Fort Bend County (including Drainage District).....	\$ 0.46400	\$ 0.46400	\$ 0.46400
Fort Bend Independent School District.....	1.32000	1.32000	1.32000
Fort Bend County MUD 128.....	0.60000	-	-
Fort Bend County MUD 129.....	-	0.33000	-
Fort Bend County MUD 149.....	-	-	0.50000
Total Overlapping Tax Rate.....	\$ 2.38400	\$ 2.11400	\$ 2.28400
The District	0.62000	0.62000	0.62000
Total Tax Rate.....	\$ 3.00400	\$ 2.73400	\$ 2.90400

(a) Approximately 98 acres of land within MUD 149 were annexed into the District’s boundaries on February 27, 2018. Such land will be taxed by the District starting in 2019.

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of November 30, 2018 (a)	
				Amount	Percent
2013	\$ 457,057,413	\$ 0.80	\$ 3,656,459	\$ 3,651,339	99.86%
2014	688,180,727	0.80	5,505,446	5,500,518	99.91%
2015	1,102,232,056	0.75	8,266,741	8,260,876	99.93%
2016	1,464,698,320	0.73	10,692,297	10,683,571	99.92%
2017	1,751,294,484	0.69	12,083,586	12,054,082	99.76%
2018	1,931,532,149	0.62	11,976,461	(b)	(b)

(a) Unaudited.

(b) In process of collection. Taxes are due by January 31, 2019.

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. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.500	\$ 0.550	\$ 0.640	\$ 0.680	\$ 0.570
Maintenance and Operations	0.120	0.140	0.090	0.070	0.230
Total	\$ 0.620	\$ 0.690	\$ 0.730	\$ 0.750	\$ 0.800

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations (Levee): \$0.60 per \$100 of taxable assessed valuation.

Maintenance and Operations (Park): \$0.10 per \$100 of taxable assessed valuation.

Maintenance and Operations (Road): \$0.25 per \$100 of taxable assessed valuation.

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. The District levied a debt service tax for 2018 in the amount of \$0.50 per \$100 of taxable assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on September 11, 2004, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.60 per \$100 of assessed valuation for levee and drainage facilities plus \$0.10 for maintenance of park facilities and \$0.25 for maintenance of road facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2018 tax year, the Board levied a maintenance tax in the amount of \$0.12 per \$100 assessed valuation for levee and drainage purposes.

Tax Exemptions

As discussed in the section titled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District exempts \$25,000 of the market value of residential homesteads from taxation of persons sixty-five (65) years or older and of disabled persons. The Developers have executed a Waiver of Special Appraisal, waiving their rights to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waivers are binding for a period of thirty years.

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the certified portion of the 2018 tax roll (\$1,926,108,808). Lists of principal taxpayers based upon the uncertified portion of the 2018 tax roll (\$5,423,341) and the Estimated Taxable Assessed Valuation as of October 15, 2018 are not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>% of</u>	
		<u>2018 Certified Taxable Assessed Valuation</u>	<u>2018 Certified Taxable Assessed Valuation</u>
CPR/AR Riverstone Owner LP	Land & Improvements	\$ 34,649,450	1.80%
The Retreat at Riverstone LLC	Land & Improvements	27,567,320	1.43%
Taylor Morrison of Texas Inc. (a)	Land, Improvements & Personal	13,056,522	0.68%
Riverstone Storage LP	Land & Improvements	9,039,990	0.47%
Individual	Land & Improvements	5,965,360	0.31%
Darling Homes of Texas LLC	Land & Improvements	5,278,870	0.27%
Meritage Homes of Texas LLC	Land & Improvements	5,157,070	0.27%
River LJ Properties LP	Land & Improvements	4,100,000	0.21%
Westport Builders LP	Land & Improvements	4,079,220	0.21%
Centerpoint Energy Electric	Personal	3,620,140	0.19%
Total		\$ 112,513,942	5.84%

(a) See “THE DEVELOPERS AND LANDOWNERS.”

Summary of Assessed Valuation

The following summary of the 2018, 2017, and 2016 Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2018, 2017 and 2016 tax rolls of the District. Breakdowns of the uncertified portion of the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of October 15, 2018 are not available. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 425,400,120	\$ 398,206,843	\$ 343,583,763
Improvements	1,532,585,210	1,380,361,757	1,143,569,412
Personal Property	7,636,845	6,869,220	6,026,400
Exemptions	<u>(39,513,367)</u>	<u>(34,168,336)</u>	<u>(28,481,255)</u>
Total Certified	\$ 1,926,108,808	\$ 1,751,269,484	\$ 1,464,698,320
Uncertified	5,423,341	-	-
Total	<u>\$ 1,931,532,149</u>	<u>\$ 1,751,269,484</u>	<u>\$ 1,464,698,320</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of October 15, 2018, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Maximum annual debt service requirement (2020).....	\$9,993,134
\$0.55 tax rate on the 2018 Taxable Assessed Valuation of \$1,931,532,149 at a 95% collection rate produces	\$10,092,255
\$0.51 tax rate on the Estimated Taxable Assessed Valuation as of October 15, 2018 of \$2,096,723,249 at a 95% collection rate produces	\$10,158,624
Average annual debt service requirement (2019-2040).....	\$6,494,007
\$0.36 tax rate on the 2018 Taxable Assessed Valuation of \$1,931,532,149 at a 95% collection rate produces	\$6,605,840
\$0.33 tax rate on the Estimated Taxable Assessed Valuation as of October 15, 2018 of \$2,096,723,249 at a 95% collection rate produces	\$6,573,227

TAX 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, 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 and for the payment of certain contractual obligations. See “TAX DATA.”

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; travel trailers; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard 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 depending on 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 residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, 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. 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 fewer 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 is limited to 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 of Missouri City, and the City of Sugar Land, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. 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 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space does not change while the landowner is deployed or stationed outside of Texas. 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.

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. 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 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on 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 also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an

additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018." 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 cost of suit and sale, 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 (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) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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—Tax Collection Limitations."

GENERAL FUND

General

The Bonds are payable from the proceeds of an ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property in the District. Surplus revenues, if any, of the District's general fund are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. Land within the District is provided water and sewer service by the entities described in "WATER SUPPLY AND WASTEWATER TREATMENT." Consequently, the District's general fund is used primarily for administration.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the audited financial statements in the case of 2014 through 2017 and an unaudited summary for the fiscal year ended September 30, 2018 provided by the District's bookkeeper. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended September 30				
	2018 (a)	2017	2016	2015	2014
Revenues					
Property Taxes	\$2,444,478	\$1,317,910	\$ 771,121	\$1,578,510	\$ 684,951
Penalty and Interest	-	-	-	-	-
Investment Revenues	33,885	12,397	4,554	1,245	219
Miscellaneous	20,200	75,623	22,500	35,598	37,900
Total Revenues	<u>\$2,498,563</u>	<u>\$1,405,930</u>	<u>\$ 798,175</u>	<u>\$1,615,353</u>	<u>\$ 723,070</u>
Expenditures					
Professional Fees	\$ 296,024	\$ 255,830	\$ 250,231	\$ 135,279	\$ 84,850
Contracted Services	126,715	212,857	135,079	116,188	102,189
Repairs and Maintenance	955,349	777,104	393,071	298,346	146,267
Administrative Expenses	72,799	48,044	43,971	45,224	36,324
Capital Outlay	366,395	-	-	-	150,000
Utilities	28,469	2,143	-	-	-
Other	635,319 (b)	57,935	26,075	30,695	30,495
Total Expenditures	<u>\$2,481,070</u>	<u>\$1,353,913</u>	<u>\$ 848,427</u>	<u>\$ 625,732</u>	<u>\$ 550,125</u>
Revenues Over (Under) Expenditures	\$ 17,493	\$ 52,017	\$ (50,252)	\$ 989,621	\$ 172,945
Other Sources (Interfund Transfer)	\$ -	\$ 110,740	\$ 31,272	\$ -	\$ 25,859
Fund Balance (Beginning of Year)	\$1,706,735	\$1,543,978 (c)	\$1,562,940	\$ 573,319	\$374,515
Fund Balance (End of Year)	\$1,724,228	\$1,706,735	\$1,543,960	\$1,562,940	\$ 573,319

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

(b) Includes \$408,000 spent on drainage improvements related to Hurricane Harvey. These funds were reimbursed from the Capital Projects Fund in December 2018. Additional expenses in fiscal year 2018 for engineering fees and design will be reimbursed with proceeds of the Bonds.

(c) Restated.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2019	\$ 9,047,095	\$ 750,000	\$ 141,185	\$ 891,185	\$ 9,938,280
2020	9,016,103	750,000	227,031	977,031	9,993,134
2021	8,704,213	375,000	212,031	587,031	9,291,244
2022	6,651,918	375,000	204,531	579,531	7,231,449
2023	6,590,918	375,000	197,031	572,031	7,162,949
2024	6,557,720	375,000	189,531	564,531	7,122,251
2025	6,514,345	375,000	182,031	557,031	7,071,376
2026	6,461,733	375,000	173,594	548,594	7,010,326
2027	6,399,578	375,000	165,156	540,156	6,939,734
2028	6,348,215	375,000	155,781	530,781	6,878,996
2029	6,283,820	375,000	144,531	519,531	6,803,351
2030	6,228,995	375,000	133,281	508,281	6,737,276
2031	6,154,168	375,000	122,031	497,031	6,651,199
2032	6,112,106	375,000	110,781	485,781	6,597,888
2033	6,039,206	375,000	99,531	474,531	6,513,738
2034	6,004,425	375,000	87,813	462,813	6,467,238
2035	5,969,969	375,000	75,625	450,625	6,420,594
2036	5,307,394	375,000	62,969	437,969	5,745,363
2037	5,133,900	375,000	50,313	425,313	5,559,213
2038	2,509,125	350,000	37,188	387,188	2,896,313
2039	1,983,750	350,000	24,938	374,938	2,358,688
2040	1,114,875	350,000	12,688	362,688	1,477,563
Total	\$ 131,133,568	\$ 8,925,000	\$ 2,809,591	\$ 11,734,591	\$ 142,868,159

Average Annual Debt Service Requirements (2019-2040)\$6,494,007
 Maximum Annual Debt Service Requirements (2020)\$9,993,134

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, the City of Missouri City, the City of Sugar Land, or any other political entity other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Recent Extreme Weather; Hurricane Harvey

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

To the knowledge of the District, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the District's Engineer, approximately 12 homes located within the District experienced flooding or other material damage as a result of Hurricane Harvey. Such damage was likely caused by rainfall accumulation in excess of design criteria required for the storm water conveyance system serving the District. See "FLOOD PROTECTION."

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

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

Specific Flood Type Risks

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

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

Flood Protection. All of the land within the boundaries of the District is protected from the Brazos River flood plain by levees constructed and maintained by the District. Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency ("FEMA"), all of the developable land within the District has been removed from the 100-year floodplain of the Brazos River.

Flooding Due to Levee Breach or Overtopping. According to the District’s engineer, at the time of construction the District’s levee and drainage system were reviewed and approved by all entities with regulatory jurisdiction over the system. However, the levee system does not protect against all flooding scenarios. There are at least four instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (or breach) of the levee system, (3) rainfall in excess of what the drainage system is designed for, or (4) failure of stormwater pumping facilities during coincident river events.

The District’s levee system is part of a regional perimeter levee system that protects approximately 12,142 acres of property in Fort Bend County. The District, together with 7 other levee improvement districts and municipal utility districts, has entered into an agreement relating to the operation and maintenance of the perimeter levee system to ensure that all participants have constructed and maintain their individual levee systems to meet applicable federal, state and local criteria for flood protection. An overtopping or failure (or breach) of any participant’s levee system could result in regionalized flooding for all or part of the area protected by the perimeter levee system.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The “100-year event” means the river elevation which has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event.

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. To mitigate the risk, the District performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

There are three pump stations currently or proposed to serve three separate watersheds within District. The pump station serving the Steep Bank Creek watershed is jointly owned and operated by Fort Bend County Levee Improvement District No. 19 (“LID 19”) and the District. According to an independent engineer engaged by LID 19 to perform a study following Hurricane Harvey, the firm pumping capacity at this pump station may be insufficient to provide stormwater drainage from a portion of the District during a coincident river event. To address such shortfall the District and LID 19 have, on an interim basis, acquired portable trailer mounted pumps and, on a long term basis, determined to design and construct additional pumping capacity at this pump station. A portion of the proceeds of the Bonds will be used to finance the cost of the design and construction of additional pumping capacity.

The design of the levee and pump station systems are subject to regulations set forth by the Fort Bend County Drainage District (“FBCDD”). The current FBCDD regulations are based on previously published rainfall data by the National Weather Service in 1961 (TP-40). Since the publication of TP-40, the National Oceanic and Atmospheric Administration in September 2018 published new rainfall data for Texas in its Atlas 14, Volume 11, report (Atlas 14). Under Atlas 14, increased rainfall frequency values may require additional drainage improvements to meet FBCDD infrastructure design requirements and floodplain regulations. At this time, FBCDD has not formally adopted Atlas 14 in its regulatory requirements, but it is anticipated that such adoption may be forthcoming. If adopted, the District may evaluate its current drainage systems and chose to expand or improve its facilities to be more resilient under the new rainfall data; however, there are no current requirements that existing infrastructure be modified or improved. The District has no cost estimates for such improvements.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots, multifamily developments, and commercial developments. 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 lots of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets”) below, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 21 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is approximately 21 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the southwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale 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 Developers will be implemented or, if implemented, will be successful.

Landowner Obligation to the District

There are no commitments from or obligations of the Developers 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, taxable property within the District will increase or maintain its taxable value.

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 District property owners to pay their taxes. The 2018 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$1,931,532,149. After issuance of the Bonds, the maximum annual debt service requirement will be \$9,993,134 (2020) and the average annual debt service requirement will be \$6,494,007 (2019-2040). Assuming no increase or decrease from the 2018 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.55 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$9,993,134 and a tax rate of \$0.36 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$6,494,007. See "DEBT SERVICE REQUIREMENTS." The Estimated Taxable Assessed Valuation as of October 15, 2018 within the District is \$2,096,723,249. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of October 15, 2018 and a 95% collection rate, tax rates of \$0.51 and \$0.33 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of October 15, 2018, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Overlapping Debt Obligations

Most of the land within the District which has been developed to date (approximately 1,959 acres) and the remaining land to be developed are or will be provided water distribution, wastewater collection and storm drainage service by three MUDs. The debt service on bonds issued by the MUDs is paid from ad valorem taxes, which taxes are in addition to taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with the property located in other real estate developments, the tax rate of the District, the applicable MUD, and other taxing jurisdictions must be added. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated within the District will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. MUD 128, MUD 129, and MUD 149 levied a 2018 tax rate of \$0.60, \$0.33 and \$0.50 per \$100 assessed value, respectively. Such rates, combined with the tax rate of the District, are higher than tax rates presently being levied by some utility districts in the general vicinity of the District. Further, MUD 128 has sold seven series of bonds and anticipates selling additional bonds to reimburse the developers of land in its boundaries for the costs of MUD 128 facilities currently being constructed as well as facilities to be constructed in the future. MUD 129 has sold seven series of bonds but does not anticipate any further issuance of debt at this time, unless for the purpose of refunding existing debt. MUD 149 has sold four series of bonds and anticipates selling additional bonds to reimburse the developers of land in its boundaries for the costs of MUD 149 facilities currently being constructed as well as facilities to be constructed in the future. The District can make no representation that taxable property values in the District and the MUDs will maintain value sufficient to support the continued payment of taxes by property owners. See "FINANCIAL STATEMENT," "ESTIMATED OVERLAPPING DEBT STATEMENT," and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$29,070,000 principal amount of unlimited tax levee improvement bonds authorized but unissued for levee and drainage facilities, \$51,320,000 principal amount of unlimited tax refunding bonds authorized but unissued for refunding outstanding bonds of the District, and \$17,250,000 principal amount of unlimited tax bonds authorized but unissued for recreational facilities, and the District may issue additional bonds which may be voted hereafter. The District has no remaining authorization of unlimited tax bonds for road facilities, but additional road bonds could be authorized by District voters in the future. See “THE BONDS—Issuance of Additional Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct levee and drainage facilities or recreational facilities must be approved by the Commission. The Developers have financed or are financing the engineering and construction costs of a levee, roads, parks and recreational facilities and other various drainage facilities, the costs of which are expected to be reimbursed from proceeds of the sale of future bonds. The District has entered into contracts in the estimated amount of \$15,000,000 for the construction of public parks and recreational facilities to serve the District. On August 24, 2015, the District entered into a cost sharing agreement for regional recreational facilities with Fort Bend County Levee Improvement District No. 19 by which parks and recreational facilities constructed by either district will be shared and the allocation of costs for such facilities will be shared on a pro rata acreage basis between the districts. Costs for the District’s share of parks and recreational facilities, and related design fees, have been pre-financed by the Developers, and the District’s obligation to reimburse the Developers for such costs are limited by the Chapter 49, Texas Water Code, the TCEQ Rules, and applicable agreements between the Developers and the District. Currently, the District’s ability to issue bonds to reimburse the Developers for parks and recreational facilities is limited to 1% (outstanding bonds) of the District’s certified assessed value. No further costs are due to the Developers for engineering and construction of roads. After reimbursement from the Bonds, approximately \$2,700,000 remains due to the Developers for design, construction and acquisition of District levee and drainage facilities. Additionally, the Developers will have expended approximately \$4,000,000 (as of November 30, 2018) for parks and recreational facilities not yet reimbursed. The District anticipates the issuance of additional bonds in the future for parks and recreational facilities. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District’s authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two 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. See “TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, if it fails to make payments into any fund or funds created in the Bond Resolution, or if it 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 is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

The District may not be placed into bankruptcy involuntarily.

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District, MUD 128 or MUD 129 (a "Utility 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 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 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 Utility District’s provision of water for human consumption is subject to extensive regulation as a public water system.

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 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. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required 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. Unknown future costs associated with these compliance activities may be significant in the future.

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 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 suspending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in states not otherwise subject to the injunction relief. 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 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.

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 continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Marketability

The District has no agreement with the Initial Purchaser 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 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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

Neither the District nor the Initial Purchaser 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.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “THE DISTRICT—General,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District 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.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of The Muller Law Group PLLC, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Not Qualified Tax-Exempt Obligations

The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

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 interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.1826% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.374683% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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; nor have the Bonds 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.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to 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 Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A1" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from Moody's.

There is no assurance that such ratings will continue for any given period of time or that they 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, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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 certain 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 sources other than the District, 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. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT" – The Developers, Costello, Inc. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS AND LANDOWNERS" – the Developers; "FLOOD PROTECTION" - Engineer; "WATER SUPPLY AND WASTEWATER TREATMENT" – Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Fort Bend Central Appraisal District and Tax Tech, Inc., Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Tax Tech, Inc.; "MANAGEMENT" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "THE DISTRICT – General," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - The Muller Law Group, PLLC.

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the flood protection and in particular that information included in the sections entitled “THE DISTRICT,” “FLOOD PROTECTION,” and “WATER SUPPLY AND WASTEWATER TREATMENT” has been provided by Costello, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District's audited financial statements for the fiscal year ending September 30, 2017 have been prepared by McGrath & Co., PLLC. See “APPENDIX A” for a copy of the District's September 30, 2017 audited financial statement.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “GENERAL FUND” has been provided by Avanta Services and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain 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 financial information and operating data annually to the MSRB. The financial information and operating data which will be provided 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 "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED," "FINANCIAL STATEMENT," "TAX DATA," "GENERAL FUND," "DEBT SERVICE REQUIREMENTS," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2018. Any financial statements so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements, and audited financial statements when and if such audited financial statements become available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 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.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

In the last five years, the District has made certain filings to comply with its prior continuing disclosure undertakings with respect to debt issued by the District. These filings are publicly available on EMMA.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Levee Improvement District No. 15, as of the date shown on the cover page.

/s/ Darrell Groves
President, Board of Directors
Fort Bend County Levee Improvement District No. 15

ATTEST:

/s/ Rohit Sankholkar
Secretary, Board of Directors
Fort Bend County Levee Improvement District No. 15

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of November 2018)

FORT BEND COUNTY
LEVEE IMPROVEMENT
DISTRICT NO. 15



SAVE &
EXCEPT



SAVE &
EXCEPT



OILFIELD RE



PHOTOGRAPHS OF THE DISTRICT
(Taken November 2018)













APPENDIX A

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

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 15**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2017

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Independent Auditors' Report

Board of Directors
Fort Bend County Levee Improvement District No. 15
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 15, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Levee Improvement District No. 15
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 15, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other-Matters

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

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


Houston, Texas
January 23, 2018

Management's Discussion and Analysis

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***Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017***

Using this Annual Report

Within this section of the financial report of Fort Bend County Levee Improvement District No. 15 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2017. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Fort Bend County Levee Improvement District No. 15
 Management's Discussion and Analysis
 September 30, 2017**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2017, was negative \$24,988,954. The District's net position is negative because it incurs debt to construct public roads which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of September 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 13,309,842	\$ 9,783,478
Capital assets	<u>71,137,317</u>	<u>54,479,320</u>
Total assets	<u>84,447,159</u>	<u>64,262,798</u>
Total deferred outflows of resources	<u>1,614,043</u>	<u>1,410,846</u>
Current liabilities	6,475,156	2,915,110
Long-term liabilities	<u>104,575,000</u>	<u>89,271,946</u>
Total liabilities	<u>111,050,156</u>	<u>92,187,056</u>
Net position		
Net investment in capital assets	(9,563,111)	(9,630,953)
Restricted	8,638,009	5,019,998
Unrestricted	<u>(24,063,852)</u>	<u>(21,902,457)</u>
Total net position	<u>\$ (24,988,954)</u>	<u>\$ (26,513,412)</u>

During the current year, it was determined that certain road improvements constructed by the District in previous years and recorded as capital assets were conveyed to Fort Bend County and should have been recorded as transfers to other governments. As further discussed in Note 4, a prior period adjustment was recorded to correct capital assets, due to developer, and net position. Amounts reported for 2016 have been adjusted accordingly.

Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017

The total net position of the District increased during the current fiscal year by \$1,524,458. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes, penalties and interest	\$ 10,769,483	\$ 8,316,520
Other	178,418	60,957
Total revenues	<u>10,947,901</u>	<u>8,377,477</u>
Expenses		
Operations and administrative	1,739,924	1,102,681
Interest and fees	3,072,490	2,798,077
Developer interest	1,637,081	1,343,276
Debt issuance costs	1,792,871	1,064,310
Depreciation	710,931	420,040
Total expenses	<u>8,953,297</u>	<u>6,728,384</u>
Change in net position before other items	1,994,604	1,649,093
Other items		
Transfers to other governments	<u>(470,146)</u>	<u>(927,983)</u>
Change in net position	1,524,458	721,110
Net position, beginning of year (restated Note 4)	<u>(26,513,412)</u>	<u>(27,234,522)</u>
Net position, end of year	<u>\$ (24,988,954)</u>	<u>\$ (26,513,412)</u>

Depreciation expense for 2016, beginning net position, and transfers to other governments have been restated as a result of the correction of capital asset values. See Note 4 for additional information.

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2017, were \$12,875,263, which consists of \$1,706,735 in the General Fund, \$8,866,927 in the Debt Service Fund and \$2,301,601 in the Capital Projects Fund.

Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017

General Fund

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

	2017	2016
Total assets	<u>\$ 1,911,678</u>	<u>\$ 1,634,662</u>
Total liabilities	\$ 196,602	\$ 82,499
Total deferred inflows	8,341	8,185
Total fund balance	<u>1,706,735</u>	<u>1,543,978</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,911,678</u>	<u>\$ 1,634,662</u>

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

	2017	2016
Total revenues	\$ 1,405,930	\$ 798,175
Total expenditures	<u>(1,353,913)</u>	<u>(848,409)</u>
Revenues over/(under) expenditures	52,017	(50,234)
Other changes in fund balance	110,740	31,272
Net change in fund balance	<u>\$ 162,757</u>	<u>\$ (18,962)</u>

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

Debt Service Fund

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

	2017	2016
Total assets	<u>\$ 8,938,982</u>	<u>\$ 5,235,969</u>
Total liabilities	\$ 3,732	\$ 1,675
Total deferred inflows	68,323	70,927
Total fund balance	<u>8,866,927</u>	<u>5,163,367</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,938,982</u>	<u>\$ 5,235,969</u>

**Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017**

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 9,583,479	\$ 7,579,179
Total expenditures	<u>(6,058,890)</u>	<u>(6,260,072)</u>
Revenues over expenditures	3,524,589	1,319,107
Other changes in fund balance	178,971	614,389
Net change in fund balance	<u>\$ 3,703,560</u>	<u>\$ 1,933,496</u>

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

During the current year, the District issued \$3,715,000 in refunding bonds to refund \$3,390,000 of its outstanding Series 2010 Levee bonds and save \$485,104 in future debt service payments. In the prior year, the District issued refunding bonds in the amount of \$9,610,000 to refund \$9,455,000 of its outstanding Series 2006, Series 2007 Road, Series 2008, and Series 2008A bonds and save \$1,124,832 in future debt service payments.

Capital Projects Fund

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

	<u>2017</u>	<u>2016</u>
Total assets	\$ 2,459,182	\$ 2,912,847
Total liabilities	\$ 157,581	\$ 1,640
Total fund balance	<u>2,301,601</u>	<u>2,911,207</u>
Total liabilities and fund balance	<u>\$ 2,459,182</u>	<u>\$ 2,912,847</u>

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

	<u>2017</u>	<u>2016</u>
Total revenues	\$ 22,102	\$ 11,253
Total expenditures	<u>(30,040,968)</u>	<u>(10,668,643)</u>
Revenues under expenditures	(30,018,866)	(10,657,390)
Other changes in fund balance	29,409,260	9,833,632
Net change in fund balance	<u>\$ (609,606)</u>	<u>\$ (823,758)</u>

Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Levee Improvement and Series 2017 Unlimited Tax Park Bonds in the current year and the sale of its Series 2015 Unlimited Tax Levee Improvement Bonds in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$58,963 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at September 30, 2017 and 2016 are summarized as follows:

	2017	2016
Capital assets not being depreciated		
Land and improvements	\$ 49,608,232	\$ 44,414,154
Construction in progress	6,238,296	
	<u>55,846,528</u>	<u>44,414,154</u>
Capital assets being depreciated		
Infrastructure	3,316,239	3,143,704
Park facilities and landscaping improvements	13,347,141	7,583,122
Other facilities	150,000	150,000
	<u>16,813,380</u>	<u>10,876,826</u>
Less accumulated depreciation		
Infrastructure	(235,399)	(161,704)
Park facilities and landscaping improvements	(1,251,896)	(623,484)
Other facilities	(35,296)	(26,472)
	<u>(1,522,591)</u>	<u>(811,660)</u>
Depreciable capital assets, net	<u>15,290,789</u>	<u>10,065,166</u>
Capital assets, net	<u>\$ 71,137,317</u>	<u>\$ 54,479,320</u>

Capital assets values for the previous fiscal year have been restated as previously discussed. See Note 4 for additional information.

***Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017***

Capital asset additions during the current year include paving and drainage improvements to serve Wetland Park and landscaping improvements to serve the following:

- Riverstone Cypress Bend, Phase 2
- Avalon at Riverstone detention parks
- Avalon at Riverstone Central Park
- Whisper Rock Schools right of way trails
- Riverstone wetland shelf at the 6-acre lake
- Avalon at Riverstone Section 21
- Avalon at Riverstone Section 11A
- Avalon at Riverstone Phase 2, Section 22
- LJ Parkway Phase 8A
- Avalon at Riverstone Section 23
- Avalon at Riverstone Section 18A

The District's construction in progress is for the construction of the storm water pump station to serve Alcorn Bayou and Cabrera Drive paving improvements.

Fort Bend County assumes responsibility for public road facilities constructed within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended September 30, 2017, capital assets in the amount of \$470,146 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2017, the District owes \$11,103,616 to developers for completed projects and operating advances. As discussed in Note 7, the District has an additional commitment in the amount of \$3,915,994 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

**Fort Bend County Levee Improvement District No. 15
 Management's Discussion and Analysis
 September 30, 2017**

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

Series	2017	2016
2006 Levee	\$ -	\$ 70,000
2007 Road		210,000
2008 Levee		110,000
2010 Levee	100,000	3,585,000
2012 Levee	6,950,000	7,200,000
2013 Levee	5,525,000	5,655,000
2013 Road	10,145,000	10,430,000
2013 Refunding	6,220,000	6,300,000
2014 Road	6,995,000	7,215,000
2015 Road	3,675,000	3,825,000
2015 Levee	18,075,000	18,900,000
2015 Refunding	5,100,000	5,280,000
2016 Refunding	4,240,000	4,250,000
2017 Levee	17,650,000	
2017 Park	11,750,000	
2017 Refunding	3,715,000	
	<u>\$ 100,140,000</u>	<u>\$ 73,030,000</u>

During the year, the District issued \$17,770,000 in unlimited tax levee improvement bonds, \$11,750,000 in unlimited tax park bonds and \$3,715,000 in unlimited tax refunding bonds. At September 30, 2017, the District had \$37,995,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the levee and drainage systems within the District; \$17,250,000 for parks and recreational facilities and \$51,320,000 for refunding purposes.

Next Year's Budget

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

	2017 Actual	2018 Budget
Total revenues	\$ 1,405,930	\$ 2,422,000
Total expenditures	(1,353,913)	(1,711,936)
Revenues over/(under) expenditures	52,017	710,064
Other changes in fund balance	110,740	
Net change in fund balance	162,757	710,064
Beginning fund balance	1,543,978	1,706,735
Ending fund balance	<u>\$ 1,706,735</u>	<u>\$ 2,416,799</u>

*Fort Bend County Levee Improvement District No. 15
Management's Discussion and Analysis
September 30, 2017*

Property Taxes

The District's property tax base increased approximately \$287,915,000 for the 2017 tax year from \$1,465,157,551 to \$1,753,072,934. This increase was primarily due to new construction in the District. For the 2017 tax year, the District has levied a maintenance tax rate of \$0.14 per \$100 of assessed value, and a road debt service tax rate of \$0.135 per \$100 of assessed value and a levee debt service tax rate of \$0.415 per \$100 of assessed value, for a total combined tax rate of \$0.69 per \$100. Tax rates for the 2016 tax year were \$0.09 per \$100 for maintenance and operations, \$0.08 for road debt service and \$0.56 per \$100 for levee debt service.

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Basic Financial Statements

Fort Bend County Levee Improvement District No. 15
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 642,005	\$ 1,112,817	\$ -	\$ 1,754,822	\$ -	\$ 1,754,822
Investments	1,325,396	7,749,872	2,367,962	11,443,230		11,443,230
Taxes receivable	8,341	68,323		76,664		76,664
Interest receivable		270		270		270
Prepaid items	24,056			24,056		24,056
Internal balances	(98,920)	7,700	91,220			
Due from other governments	10,800			10,800		10,800
Capital assets not being depreciated					55,846,528	55,846,528
Capital assets, net					15,290,789	15,290,789
Total Assets	\$ 1,911,678	\$ 8,938,982	\$ 2,459,182	\$ 13,309,842	71,137,317	84,447,159
Deferred Outflows of Resources						
Deferred difference on refunding					1,614,043	1,614,043
Liabilities						
Accounts payable	\$ 191,780	\$ 3,701	\$ 20,526	\$ 216,007		216,007
Other payables	4,822	31		4,853		4,853
Retainage payable			137,055	137,055		137,055
Accrued interest payable					297,241	297,241
Due to developers					11,103,616	11,103,616
Long-term debt						
Due within one year					5,820,000	5,820,000
Due after one year					93,471,384	93,471,384
Total Liabilities	196,602	3,732	157,581	357,915	110,692,241	111,050,156
Deferred Inflows of Resources						
Deferred property taxes	8,341	68,323		76,664	(76,664)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	24,056			24,056	(24,056)	
Restricted		8,866,927	2,301,601	11,168,528	(11,168,528)	
Unassigned	1,682,679			1,682,679	(1,682,679)	
Total Fund Balances	1,706,735	8,866,927	2,301,601	12,875,263	(12,875,263)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,911,678	\$ 8,938,982	\$ 2,459,182	\$ 13,309,842		
Net Position						
Net investment in capital assets					(9,563,111)	(9,563,111)
Restricted for debt service					8,638,009	8,638,009
Unrestricted					(24,063,852)	(24,063,852)
Total Net Position					\$ (24,988,954)	\$ (24,988,954)

See notes to basic financial statements.

Fort Bend County Levee Improvement District No. 15
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,317,910	\$ 9,379,271	\$ -	\$ 10,697,181	\$ (5,098)	\$ 10,692,083
Penalties and interest		74,750		74,750	2,650	77,400
Accrued interest on bonds sold		61,162		61,162	(61,162)	
Miscellaneous	75,623	25		75,648		75,648
Investment earnings	12,397	68,271	22,102	102,770		102,770
Total Revenues	1,405,930	9,583,479	22,102	11,011,511	(63,610)	10,947,901
Expenditures/Expenses						
Operations and administrative						
Professional fees	255,830		222,179	478,009		478,009
Contracted services	212,857	142,367		355,224		355,224
Repairs and maintenance	777,104			777,104		777,104
Utilities	2,143			2,143		2,143
Administrative	48,044	6,465		54,509		54,509
Other	57,935	15,000		72,935		72,935
Capital outlay			26,563,596	26,563,596	(26,563,596)	
Debt service						
Principal		2,735,000		2,735,000	(2,735,000)	
Interest and fees		2,922,299		2,922,299	150,191	3,072,490
Developer interest			1,637,081	1,637,081		1,637,081
Debt issuance costs		174,759	1,618,112	1,792,871		1,792,871
Payment to refunded bond escrow agent		63,000		63,000	(63,000)	
Depreciation					710,931	710,931
Total Expenditures/Expenses	1,353,913	6,058,890	30,040,968	37,453,771	(28,500,474)	8,953,297
Revenues Over (Under)						
Expenditures/Expenses	52,017	3,524,589	(30,018,866)	(26,442,260)	28,436,864	1,994,604
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			29,520,000	29,520,000	(29,520,000)	
Proceeds from sale of refunding bonds		3,715,000		3,715,000	(3,715,000)	
Payment to refunded bond escrow agent		(3,536,029)		(3,536,029)	3,536,029	
Internal transfers	110,740		(110,740)			
Other Items						
Transfers to other governments					(470,146)	(470,146)
Net Change in Fund Balances	162,757	3,703,560	(609,606)	3,256,711	(3,256,711)	
Change in Net Position					1,524,458	1,524,458
Fund Balance/Net Position						
Beginning of the year (restated Note 4)	1,543,978	5,163,367	2,911,207	9,618,552	(36,131,964)	(26,513,412)
End of the year	\$ 1,706,735	\$ 8,866,927	\$ 2,301,601	\$ 12,875,263	\$ (37,864,217)	\$ (24,988,954)

See notes to basic financial statements.

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Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Levee Improvement District No. 15 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Commissioners’ Court of Fort Bend County, Texas, dated September 19, 2000, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on October 23, 2000 and the first bonds were sold on December 28, 2006. The District was granted road powers by the Texas Legislature (Senate Bill No. 1883) on May 28, 2003.

The District’s primary activities include construction, maintenance and operation of all improvements and utilities necessary for providing flood plain reclamation, flood protection, drainage, road improvements and recreational facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2017, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

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

Assets	Useful Life
Infrastructure	45 years
Park facilities and landscaping improvements	12-45 years
Other facilities	17-25 years

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

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

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	12,875,263
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$	72,659,908	
Less accumulated depreciation		<u>(1,522,591)</u>	
Change due to capital assets			71,137,317

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

1,614,043

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

Bonds payable, net	(99,291,384)	
Interest payable on bonds	<u>(297,241)</u>	
Change due to long-term debt		(99,588,625)

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

(11,103,616)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	57,637	
Penalty and interest receivable	<u>19,027</u>	
Change due to property taxes		76,664

Total net position - governmental activities

\$ (24,988,954)

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

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

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

Net change in fund balances - total governmental funds \$ 3,256,711

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (2,448)

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 26,563,596	
Depreciation expense	(710,931)	
		25,852,665

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

Issuance of long term debt	(33,235,000)	
Payment to refunded bond escrow agent	3,599,029	
Principal payments	2,735,000	
Interest expense accrual	(211,353)	
		(27,112,324)

The District conveys public roads to Fort Bend County upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (470,146)

Change in net position of governmental activities		\$ 1,524,458
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Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2017, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Debt Service	\$ 735,732	6%	N/A	N/A
TexSTAR	General	1,325,396			
	Debt Service	7,014,140			
	Capital Projects	2,367,962			
		<u>10,707,498</u>	<u>94%</u>	AAAm	27 days
Total		<u>\$ 11,443,230</u>	<u>100%</u>		

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 3 – Deposits and Investments (continued)

Investments (continued)

The District’s investments in certificates of deposit are reported at cost.

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Note 4 – Prior Period Adjustment

During the current year, it was determined that public road facilities constructed by the District in previous years and recorded as capital assets were conveyed to Fort Bend County and should have been recognized as transfers to other governments. As a result, capital assets and net position for the District as of September 30, 2016 were overstated by \$14,802,590, which is the net book value of these assets. During the current year, a prior period adjustment was recorded to correct net position, due to developer and capital assets. This adjustment decreased beginning net position as follows:

Beginning net position, as reported	\$ (11,710,822)
Change due to restatement of capital assets	(14,802,590)
Beginning net position, restated	<u><u>\$ (26,513,412)</u></u>

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 5 – Amounts Due to/from Other Funds

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

	Interfund	
	Receivable	Payable
General Fund	\$ 777	\$ 99,697
Debt Service Fund	8,477	777
Capital Projects Fund	91,220	
	<u>\$ 100,474</u>	<u>\$ 100,474</u>

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

During the current fiscal year, the District transferred \$110,740 from the Capital Projects Fund to the General Fund to reimburse the General Fund for bond application costs paid in prior years.

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2017, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 44,414,154	\$ 5,194,078	\$ 49,608,232
Construction in progress		6,238,296	6,238,296
	<u>44,414,154</u>	<u>11,432,374</u>	<u>55,846,528</u>
Capital assets being depreciated			
Infrastructure	3,143,704	172,535	3,316,239
Park facilities and landscaping improvements	7,583,122	5,764,019	13,347,141
Other facilities	150,000		150,000
	<u>10,876,826</u>	<u>5,936,554</u>	<u>16,813,380</u>
Less accumulated depreciation			
Infrastructure	(161,704)	(73,695)	(235,399)
Park facilities and landscaping improvements	(623,484)	(628,412)	(1,251,896)
Other facilities	(26,472)	(8,824)	(35,296)
	<u>(811,660)</u>	<u>(710,931)</u>	<u>(1,522,591)</u>
Subtotal depreciable capital assets, net	<u>10,065,166</u>	<u>5,225,623</u>	<u>15,290,789</u>
Capital assets, net	<u>\$ 54,479,320</u>	<u>\$ 16,657,997</u>	<u>\$ 71,137,317</u>

Depreciation expense for the current year was \$710,931.

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 7 – Due to Developers

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

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

Due to developers, beginning of year	\$ 19,828,138
Developer reimbursements	(24,019,223)
Developer funded construction and adjustments	15,294,701
Due to developers, end of year	<u>\$ 11,103,616</u>

In addition, the District will owe the developers approximately \$3,915,994, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
North Wetland Park	\$ 1,722,265	\$ 1,543,575	\$ 178,690
Avalon Section 16A*	114,074	110,652	3,422
Avalon Section 16B*	71,635	57,308	14,327
Avalon Section 20 and 24B*	128,127	102,501	25,626
Avalon Section 12*	124,246	118,033	6,213
Clements Crossing detention ponds	1,682,450		1,682,450
Wetlands Park grading	73,197		73,197
	<u>\$ 3,915,994</u>	<u>\$ 1,932,069</u>	<u>\$ 1,983,925</u>

* District share of contract

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 100,140,000
Unamortized discounts	(1,324,992)
Unamortized premium	476,376
	<u>\$ 99,291,384</u>
 Due within one year	 <u>\$ 5,820,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010 Levee	\$ 100,000	\$ 3,975,000	3.2% - 5.125%	September 1, 2012/2018	March 1, September 1	September 1, 2018
2012 Levee	6,950,000	7,990,000	2.5% - 4.6%	September 1, 2013/2037	March 1, September 1	September 1, 2020
2013 Levee	5,525,000	6,000,000	2.0% - 4.0%	September 1, 2014/2037	March 1, September 1	September 1, 2020
2013 Road	10,145,000	11,200,000	3.0% - 5.0%	September 1, 2014/2037	March 1, September 1	September 1, 2020
2013 Refunding	6,220,000	6,505,000	2.0% - 5.0%	September 1, 2014/2035	March 1, September 1	September 1, 2021
2014 Road	6,995,000	7,625,000	2.0% - 3.75%	September 1, 2015/2038	March 1, September 1	September 1, 2022
2015 Road	3,675,000	3,975,000	3.0% - 5.0%	September 1, 2016/2040	March 1, September 1	September 1, 2022
2015 Levee	18,075,000	20,250,000	2.0% - 3.625%	September 1, 2016/2039	March 1, September 1	September 1, 2023
2015 Refunding	5,100,000	5,360,000	2.0% - 4.0%	September 1, 2016/2034	March 1, September 1	September 1, 2024
2016 Refunding	4,240,000	4,250,000	2.0% - 4.0%	September 1, 2017/2033	March 1, September 1	September 1, 2023
2017 Levee	17,650,000	17,770,000	2.0% - 3.75%	September 1, 2017/2040	March 1, September 1	September 1, 2024
2017 Park	11,750,000	11,750,000	0.75% - 1.50%	September 1, 2018/2021	March 1, September 1	N/A
2017 Refunding	3,715,000	3,715,000	2.0% - 4.0%	September 1, 2018/2035	March 1, September 1	September 1, 2024
	<u>\$ 100,140,000</u>					

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 8 – Long-Term Debt (continued)

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

At September 30, 2017, the District had authorized but unissued bonds in the amount of \$37,995,000 for levee improvements; \$17,250,000 for park and recreational facilities and \$51,320,000 for refunding purposes.

On February 28, 2017, the District issued its \$17,770,000 Series 2017 Unlimited Tax Levee Improvement Bonds at a net effective interest rate of 3.519295%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On July 27, 2017, the District issued its \$11,750,000 Series 2017 Unlimited Tax Park Bonds at a net effective interest rate of 1.407424%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

On August 24, 2017, the District issued its \$3,715,000 Series 2017 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.059694% to advance refund \$3,390,000 of outstanding Series 2010 Levee bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$485,104 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$367,183. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of September 30, 2017, the outstanding principal of defeased bonds is \$3,390,000.

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

Bonds payable, beginning of year	\$ 73,030,000
Bonds issued	33,235,000
Bonds retired	(2,735,000)
Bonds refunded	(3,390,000)
Bonds payable, end of year	<u>\$ 100,140,000</u>

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 8 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2018	\$ 5,820,000	\$ 3,289,005	\$ 9,109,005
2019	5,885,000	3,162,095	9,047,095
2020	5,970,000	3,046,103	9,016,103
2021	5,780,000	2,924,213	8,704,213
2022	3,855,000	2,796,919	6,651,919
2023	3,910,000	2,680,917	6,590,917
2024	4,000,000	2,557,721	6,557,721
2025	4,085,000	2,429,345	6,514,345
2026	4,165,000	2,296,733	6,461,733
2027	4,245,000	2,154,577	6,399,577
2028	4,340,000	2,008,215	6,348,215
2029	4,425,000	1,858,819	6,283,819
2030	4,525,000	1,703,996	6,228,996
2031	4,615,000	1,539,168	6,154,168
2032	4,745,000	1,367,106	6,112,106
2033	4,855,000	1,184,207	6,039,207
2034	5,010,000	994,425	6,004,425
2035	5,175,000	794,969	5,969,969
2036	4,725,000	582,394	5,307,394
2037	4,745,000	388,900	5,133,900
2038	2,315,000	194,125	2,509,125
2039	1,875,000	108,750	1,983,750
2040	1,075,000	39,875	1,114,875
	<u>\$ 100,140,000</u>	<u>\$ 40,102,577</u>	<u>\$ 140,242,577</u>

Note 9 – Property Taxes

On September 21, 2004, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.60 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Levee Improvement District No. 15
Notes to Basic Financial Statements
September 30, 2017

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2017 fiscal year was financed through the 2016 tax levy, pursuant to which the District levied property taxes of \$0.73 per \$100 of assessed value, of which \$0.09 was allocated to maintenance and operations, \$0.08 was allocated to road debt tax and \$0.56 was allocated to levee debt service. The resulting tax levy was \$10,695,649 on the adjusted taxable value of \$1,465,157,551.

Total property taxes receivable, at September 30, 2017, consisted of the following:

Current year taxes receivable	\$ 26,263
Prior years taxes receivable	31,374
	<u>57,637</u>
Penalty and interest receivable	19,027
Total property taxes receivable	<u>\$ 76,664</u>

Note 10 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered capital assets of Fort Bend County, not the District. For the year ended September 30, 2017, the District recorded transfers to other governments in the amount of \$470,146 for road facilities constructed by a developer within the District.

Note 11 – Cost Sharing Agreement for Regional Recreational Facilities

On August 24, 2015, the District entered into a cost sharing agreement for regional recreational facilities with Fort Bend Levee Improvement District No. 19 (“LID 19”). Each district has or will construct various recreational facilities for the benefit of the property within Riverstone. The Districts agree that the cost to design, construct and finance Regional Recreational Facilities should be shared by the Districts pursuant to their pro rata share of acreage within Riverstone. In order to properly and fairly allocate costs for such recreational facilities in accordance with the agreement, the District shall convey, and LID 19 shall agree to purchase, certain recreational facilities previously designed, constructed, or otherwise undertaken by the District. In each conveyance, the District shall identify any known eligible costs for the facility. In addition, each conveyance shall require the consent of any third party developer entitled to receive reimbursement from the District for such facilities.

Note 12 – Risk Management

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

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Required Supplementary Information

Fort Bend County Levee Improvement District No. 15
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,317,910	\$ 42,910
Miscellaneous	15,000	15,000	75,623	60,623
Investment earnings	4,000	4,000	12,397	8,397
Total Revenues	<u>1,294,000</u>	<u>1,294,000</u>	<u>1,405,930</u>	<u>111,930</u>
Expenditures				
Operating and administrative				
Professional fees	137,500	137,500	255,830	(118,330)
Contracted services	120,940	120,940	212,857	(91,917)
Repairs and maintenance	826,780	744,790	777,104	(32,314)
Utilities			2,143	(2,143)
Administrative	54,550	54,550	48,044	6,506
Other	9,000	14,500	57,935	(43,435)
Total Expenditures	<u>1,148,770</u>	<u>1,072,280</u>	<u>1,353,913</u>	<u>(281,633)</u>
Revenues Over Expenditures	145,230	221,720	52,017	(169,703)
Other Financing Sources				
Internal transfers			110,740	110,740
Net Change in Fund Balance	145,230	221,720	162,757	(58,963)
Fund Balance				
Beginning of the year	1,543,978	1,543,978	1,543,978	
End of the year	<u>\$ 1,689,208</u>	<u>\$ 1,765,698</u>	<u>\$ 1,706,735</u>	<u>\$ (58,963)</u>

Fort Bend County Levee Improvement District No. 15
Notes to Required Supplementary Information
September 30, 2017

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year reflect changes in anticipated expenditures.

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Texas Supplementary Information

Fort Bend County Levee Improvement District No. 15
TSI-1. Services and Rates
September 30, 2017

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

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

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

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Fort Bend County Levee Improvement District No. 15
TSI-1. Services and Rates
September 30, 2017

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

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

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: City of Sugar Land

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

ETJs in which the District is located: Cities of Sugar Land and Missouri City

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

If Yes, by whom? Fort Bend County Commissioners Court

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2017*

Professional fees	
Legal	\$ 122,733
Audit	14,500
Engineering	118,597
	<u>255,830</u>
Contracted services	
Bookkeeping/accounting	23,034
Operator	189,823
	<u>212,857</u>
Repairs and maintenance	<u>777,104</u>
Utilities	<u>2,143</u>
Administrative	
Directors fees	11,250
Printing and office supplies	3,059
Insurance	18,844
Other	14,891
	<u>48,044</u>
Other	<u>57,935</u>
Total expenditures	<u>\$ 1,353,913</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-3. Investments
September 30, 2017

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General					
TexSTAR	26713-1111-000	Variable	N/A	\$ 1,325,396	\$ -
Debt Service					
TexSTAR	26713-1023-000	Variable	N/A	5,867,574	
TexSTAR	26713-1025-000	Variable	N/A	1,146,566	
Certificate of deposit	66000083	1.25%	08/26/18	246,840	50
Certificate of deposit	530548	0.90%	08/27/18	247,661	220
Certificate of deposit	4127500	1.20%	08/27/18	241,231	
				<u>7,749,872</u>	<u>270</u>
Capital Projects					
TexSTAR	26713-1197-000	Variable	N/A	471,124	
TexSTAR	26713-1198-000	Variable	N/A	178,155	
TexSTAR	26713-1200-000	Variable	N/A	520,809	
TexSTAR	26713-2017-000	Variable	N/A	807,515	
TexSTAR	26713-1195-000	Variable	N/A	249,333	
TexSTAR	26713-1196-000	Variable	N/A	141,026	
				<u>2,367,962</u>	
Total - All Funds				<u>\$ 11,443,230</u>	<u>\$ 270</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-4. Taxes Levied and Receivable
September 30, 2017

	Maintenance Taxes	Road Debt Service Taxes	Levee Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 8,185	\$ 18,245	\$ 36,305	\$ 62,735
Adjustments	(576)	(1,093)	(1,898)	(3,567)
Adjusted Receivable	7,609	17,152	34,407	59,168
2016 Original Tax Levy	1,223,410	1,087,475	7,612,326	9,923,211
Adjustments	95,232	84,650	592,556	772,438
Adjusted Tax Levy	1,318,642	1,172,125	8,204,882	10,695,649
Total to be accounted for	1,326,251	1,189,277	8,239,289	10,754,817
Tax collections:				
Current year	1,315,404	1,169,247	8,184,735	10,669,386
Prior years	2,506	8,258	17,030	27,794
Total Collections	1,317,910	1,177,505	8,201,765	10,697,180
Taxes Receivable, End of Year	\$ 8,341	\$ 11,772	\$ 37,524	\$ 57,637
Taxes Receivable, By Years				
2016	\$ 3,238	\$ 2,878	\$ 20,147	\$ 26,263
2015	1,404	4,481	9,159	15,044
2014	1,832	1,983	2,559	6,374
2012	1,867	2,430	5,659	9,956
Taxes Receivable, End of Year	\$ 8,341	\$ 11,772	\$ 37,524	\$ 57,637
	2016	2015	2014	2013
Property Valuations:				
Land	\$ 343,588,673	\$ 277,117,460	\$ 201,644,258	\$ 143,625,030
Improvements	1,157,013,540	861,300,671	496,469,080	319,068,330
Personal Property	6,026,400	3,676,610	3,829,145	1,944,160
Exemptions	(41,471,062)	(39,816,453)	(13,634,086)	(6,980,137)
Total Property Valuations	\$ 1,465,157,551	\$ 1,102,278,288	\$ 688,308,397	\$ 457,657,383
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.09000	\$ 0.07000	\$ 0.23000	\$ 0.15000
Road debt service tax rates	0.08000	0.22339	0.24885	0.23803
Levee debt service tax rates	0.56000	0.45661	0.32115	0.41197
Total Tax Rates per \$100 Valuation	\$ 0.73000	\$ 0.75000	\$ 0.80000	\$ 0.80000
Adjusted Tax Levy:	\$ 10,695,649	\$ 8,267,087	\$ 5,506,467	\$ 3,661,259
Percentage of Taxes Collected to Taxes Levied **	99.75%	99.82%	99.88%	99.86%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.60 on September 21, 2004

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on September 21, 2004

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

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2010 Levee--by Years
 September 30, 2017*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
<u>2018</u>	<u>\$ 100,000</u>	<u>\$ 4,000</u>	<u>\$ 104,000</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
Series 2012 Levee--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 250,000	\$ 291,450	\$ 541,450
2019	250,000	283,950	533,950
2020	250,000	276,200	526,200
2021	250,000	267,950	517,950
2022	250,000	259,200	509,200
2023	250,000	249,950	499,950
2024	250,000	240,700	490,700
2025	250,000	230,700	480,700
2026	250,000	220,700	470,700
2027	250,000	210,450	460,450
2028	250,000	200,200	450,200
2029	250,000	189,700	439,700
2030	250,000	179,200	429,200
2031	250,000	168,450	418,450
2032	250,000	157,700	407,700
2033	250,000	146,700	396,700
2034	450,000	135,700	585,700
2035	700,000	115,000	815,000
2036	900,000	82,800	982,800
2037	900,000	41,400	941,400
	<u>\$ 6,950,000</u>	<u>\$ 3,948,100</u>	<u>\$ 10,898,100</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
Series 2013 Levee--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 135,000	\$ 201,462	\$ 336,462
2019	145,000	198,763	343,763
2020	150,000	195,500	345,500
2021	160,000	191,750	351,750
2022	170,000	187,350	357,350
2023	180,000	182,250	362,250
2024	190,000	176,850	366,850
2025	200,000	170,675	370,675
2026	210,000	164,175	374,175
2027	220,000	156,825	376,825
2028	230,000	149,125	379,125
2029	245,000	140,787	385,787
2030	260,000	131,601	391,601
2031	275,000	121,200	396,200
2032	290,000	110,200	400,200
2033	305,000	98,600	403,600
2034	320,000	86,400	406,400
2035	340,000	73,600	413,600
2036	750,000	60,000	810,000
2037	750,000	30,000	780,000
	<u>\$ 5,525,000</u>	<u>\$ 2,827,113</u>	<u>\$ 8,352,113</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
Series 2013 Road--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 300,000	\$ 448,013	\$ 748,013
2019	315,000	439,012	754,012
2020	330,000	429,562	759,562
2021	350,000	419,662	769,662
2022	365,000	408,288	773,288
2023	385,000	395,512	780,512
2024	405,000	381,075	786,075
2025	430,000	364,875	794,875
2026	450,000	347,675	797,675
2027	475,000	328,550	803,550
2028	500,000	308,363	808,363
2029	525,000	285,862	810,862
2030	550,000	262,238	812,238
2031	580,000	236,800	816,800
2032	610,000	209,250	819,250
2033	645,000	178,750	823,750
2034	675,000	146,500	821,500
2035	715,000	112,750	827,750
2036	750,000	77,000	827,000
2037	790,000	39,500	829,500
	<u>\$ 10,145,000</u>	<u>\$ 5,819,237</u>	<u>\$ 15,964,237</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2013 Refunding--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 220,000	\$ 271,720	\$ 491,720
2019	230,000	265,670	495,670
2020	240,000	258,540	498,540
2021	245,000	250,500	495,500
2022	260,000	241,680	501,680
2023	265,000	231,930	496,930
2024	280,000	221,595	501,595
2025	290,000	210,395	500,395
2026	305,000	198,795	503,795
2027	320,000	186,290	506,290
2028	330,000	172,690	502,690
2029	350,000	158,170	508,170
2030	360,000	142,420	502,420
2031	380,000	125,680	505,680
2032	400,000	107,250	507,250
2033	420,000	87,250	507,250
2034	595,000	66,250	661,250
2035	730,000	36,500	766,500
	<u>\$ 6,220,000</u>	<u>\$ 3,233,325</u>	<u>\$ 9,453,325</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2014 Road--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 230,000	\$ 218,600	\$ 448,600
2019	240,000	214,000	454,000
2020	250,000	209,200	459,200
2021	260,000	204,200	464,200
2022	270,000	197,700	467,700
2023	280,000	190,950	470,950
2024	290,000	183,950	473,950
2025	300,000	175,975	475,975
2026	310,000	166,975	476,975
2027	320,000	157,675	477,675
2028	330,000	148,075	478,075
2029	340,000	138,175	478,175
2030	350,000	127,550	477,550
2031	360,000	116,175	476,175
2032	370,000	104,025	474,025
2033	390,000	91,075	481,075
2034	400,000	77,425	477,425
2035	410,000	63,425	473,425
2036	425,000	48,563	473,563
2037	430,000	32,625	462,625
2038	440,000	16,500	456,500
	<u>\$ 6,995,000</u>	<u>\$ 2,882,838</u>	<u>\$ 9,877,838</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2015 Road--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 150,000	\$ 134,463	\$ 284,463
2019	150,000	126,963	276,963
2020	150,000	119,463	269,463
2021	150,000	111,963	261,963
2022	150,000	104,463	254,463
2023	150,000	96,963	246,963
2024	150,000	92,463	242,463
2025	150,000	87,963	237,963
2026	150,000	83,313	233,313
2027	150,000	78,625	228,625
2028	150,000	73,750	223,750
2029	150,000	68,875	218,875
2030	150,000	64,000	214,000
2031	150,000	59,125	209,125
2032	175,000	54,250	229,250
2033	175,000	48,344	223,344
2034	175,000	42,437	217,437
2035	175,000	36,531	211,531
2036	175,000	30,625	205,625
2037	175,000	24,500	199,500
2038	175,000	18,375	193,375
2039	175,000	12,250	187,250
2040	175,000	6,125	181,125
	<u>\$ 3,675,000</u>	<u>\$ 1,575,829</u>	<u>\$ 5,250,829</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2015 Levee--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 825,000	\$ 533,531	\$ 1,358,531
2019	825,000	517,031	1,342,031
2020	825,000	500,531	1,325,531
2021	825,000	484,031	1,309,031
2022	825,000	467,531	1,292,531
2023	825,000	446,906	1,271,906
2024	825,000	426,281	1,251,281
2025	825,000	405,656	1,230,656
2026	825,000	385,031	1,210,031
2027	825,000	360,281	1,185,281
2028	825,000	335,531	1,160,531
2029	825,000	310,781	1,135,781
2030	825,000	286,031	1,111,031
2031	825,000	259,219	1,084,219
2032	825,000	232,406	1,057,406
2033	825,000	204,563	1,029,563
2034	825,000	175,688	1,000,688
2035	825,000	146,813	971,813
2036	825,000	116,906	941,906
2037	800,000	87,000	887,000
2038	800,000	58,000	858,000
2039	800,000	29,000	829,000
	<u>\$ 18,075,000</u>	<u>\$ 6,768,748</u>	<u>\$ 24,843,748</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
Series 2015 Refunding--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 230,000	\$ 168,144	\$ 398,144
2019	235,000	163,544	398,544
2020	245,000	158,844	403,844
2021	255,000	151,494	406,494
2022	270,000	143,844	413,844
2023	270,000	138,444	408,444
2024	280,000	127,644	407,644
2025	295,000	116,444	411,444
2026	310,000	104,644	414,644
2027	315,000	92,244	407,244
2028	330,000	79,644	409,644
2029	330,000	69,744	399,744
2030	345,000	59,431	404,431
2031	345,000	48,219	393,219
2032	355,000	36,575	391,575
2033	360,000	24,150	384,150
2034	330,000	11,550	341,550
	<u>\$ 5,100,000</u>	<u>\$ 1,694,603</u>	<u>\$ 6,794,603</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 225,000	\$ 148,950	\$ 373,950
2019	230,000	144,450	374,450
2020	230,000	139,850	369,850
2021	230,000	135,250	365,250
2022	230,000	128,350	358,350
2023	235,000	121,450	356,450
2024	245,000	114,400	359,400
2025	255,000	104,600	359,600
2026	260,000	94,400	354,400
2027	270,000	84,000	354,000
2028	280,000	73,200	353,200
2029	290,000	62,000	352,000
2030	305,000	50,400	355,400
2031	310,000	38,200	348,200
2032	320,000	25,800	345,800
2033	325,000	13,000	338,000
	<u>\$ 4,240,000</u>	<u>\$ 1,478,300</u>	<u>\$ 5,718,300</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2017 Levee--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 125,000	\$ 575,750	\$ 700,750
2019	125,000	573,250	698,250
2020	150,000	570,750	720,750
2021	150,000	567,750	717,750
2022	900,000	564,750	1,464,750
2023	900,000	537,750	1,437,750
2024	900,000	510,750	1,410,750
2025	900,000	483,750	1,383,750
2026	900,000	456,750	1,356,750
2027	900,000	429,750	1,329,750
2028	900,000	402,750	1,302,750
2029	900,000	375,750	1,275,750
2030	900,000	348,750	1,248,750
2031	900,000	320,625	1,220,625
2032	900,000	291,375	1,191,375
2033	900,000	261,000	1,161,000
2034	900,000	229,500	1,129,500
2035	900,000	198,000	1,098,000
2036	900,000	166,500	1,066,500
2037	900,000	133,875	1,033,875
2038	900,000	101,250	1,001,250
2039	900,000	67,500	967,500
2040	900,000	33,750	933,750
	<u>\$ 17,650,000</u>	<u>\$ 8,201,625</u>	<u>\$ 25,851,625</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2017 Park--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 3,000,000	\$ 179,375	\$ 3,179,375
2019	3,000,000	131,250	3,131,250
2020	3,000,000	86,250	3,086,250
2021	2,750,000	41,250	2,791,250
	<u>\$ 11,750,000</u>	<u>\$ 438,125</u>	<u>\$ 12,188,125</u>

See accompanying auditors' report.

*Fort Bend County Levee Improvement District No. 15
 TSI-5. Long-Term Debt Service Requirements
 Series 2017 Refunding--by Years
 September 30, 2017*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 30,000	\$ 113,547	\$ 143,547
2019	140,000	104,212	244,212
2020	150,000	101,413	251,413
2021	155,000	98,413	253,413
2022	165,000	93,763	258,763
2023	170,000	88,812	258,812
2024	185,000	82,013	267,013
2025	190,000	78,312	268,312
2026	195,000	74,275	269,275
2027	200,000	69,887	269,887
2028	215,000	64,887	279,887
2029	220,000	58,975	278,975
2030	230,000	52,375	282,375
2031	240,000	45,475	285,475
2032	250,000	38,275	288,275
2033	260,000	30,775	290,775
2034	340,000	22,975	362,975
2035	380,000	12,350	392,350
	<u>\$ 3,715,000</u>	<u>\$ 1,230,734</u>	<u>\$ 4,945,734</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 15
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2017

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 5,820,000	\$ 3,289,005	\$ 9,109,005
2019	5,885,000	3,162,095	9,047,095
2020	5,970,000	3,046,103	9,016,103
2021	5,780,000	2,924,213	8,704,213
2022	3,855,000	2,796,919	6,651,919
2023	3,910,000	2,680,917	6,590,917
2024	4,000,000	2,557,721	6,557,721
2025	4,085,000	2,429,345	6,514,345
2026	4,165,000	2,296,733	6,461,733
2027	4,245,000	2,154,577	6,399,577
2028	4,340,000	2,008,215	6,348,215
2029	4,425,000	1,858,819	6,283,819
2030	4,525,000	1,703,996	6,228,996
2031	4,615,000	1,539,168	6,154,168
2032	4,745,000	1,367,106	6,112,106
2033	4,855,000	1,184,207	6,039,207
2034	5,010,000	994,425	6,004,425
2035	5,175,000	794,969	5,969,969
2036	4,725,000	582,394	5,307,394
2037	4,745,000	388,900	5,133,900
2038	2,315,000	194,125	2,509,125
2039	1,875,000	108,750	1,983,750
2040	1,075,000	39,875	1,114,875
	<u>\$ 100,140,000</u>	<u>\$ 40,102,577</u>	<u>\$ 140,242,577</u>

See accompanying auditors' report.

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	Bond Issue			
	Series 2006 Levee	Series 2007 Road	Series 2008 Levee	Series 2010 Levee
Interest rate	4.5% - 4.55%	4.375% - 6.375%	4.7% - 5.25%	3.2% - 5.125%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/09 - 9/1/17	9/1/09 - 9/1/17	9/1/09 - 9/1/17	9/1/12 - 9/1/18
Beginning bonds outstanding	\$ 70,000	\$ 210,000	\$ 110,000	\$ 3,585,000
Bonds issued				
Bonds refunded				(3,390,000)
Bonds retired	(70,000)	(210,000)	(110,000)	(95,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Interest paid during fiscal year	<u>\$ 3,150</u>	<u>\$ 9,188</u>	<u>\$ 5,390</u>	<u>\$ 91,040</u>
Paying agent's name and city				
Series 2006, 2007 Road, 2008, 2010 and 2012	<u>Wells Fargo Bank, N.A. Houston, Texas</u>			
Series 2013, 2013 Road, 2013 Refunding, 2014 Road and 2015 Road, 2015 Levee, 2015 Refunding, 2016 Refunding, 2017, 2017 Park and 2017 Refunding	<u>The Bank of New York Mellon Trust Company, N.A. Dallas Texas</u>			
Bond Authority:	Levee Bonds	Park Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 106,180,000	\$ 29,000,000	\$ 29,000,000	\$ 53,090,000
Amount Issued	(68,185,000)	(11,750,000)	(29,000,000)	(1,770,000)
Remaining To Be Issued	<u>\$ 37,995,000</u>	<u>\$ 17,250,000</u>	<u>\$ -</u>	<u>\$ 51,320,000</u>

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

Debt Service Fund cash and investments balances as of September 30, 2017: \$ 8,862,689

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 6,097,503

See accompanying auditors' report.

Bond Issue				
Series 2012 Levee	Series 2013 Levee	Series 2013 Road	Series 2013 Refunding	Series 2014 Road
2.5% - 4.6%	2.0% - 4.0%	3.0% - 5.0%	2.0% - 5.0%	2.0% - 3.75%
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
9/1/14 - 9/1/37	9/1/14 - 9/1/37	9/1/14 - 9/1/37	9/1/14 - 9/1/35	9/1/15 - 9/1/38
\$ 7,200,000	\$ 5,655,000	\$ 10,430,000	\$ 6,300,000	\$ 7,215,000
(250,000)	(130,000)	(285,000)	(80,000)	(220,000)
<u>\$ 6,950,000</u>	<u>\$ 5,525,000</u>	<u>\$ 10,145,000</u>	<u>\$ 6,220,000</u>	<u>\$ 6,995,000</u>
<u>\$ 298,325</u>	<u>\$ 204,063</u>	<u>\$ 456,562</u>	<u>\$ 273,640</u>	<u>\$ 223,000</u>

	Bond Issue			
	Series 2015 Road	Series 2015 Levee	Series 2015 Refunding	Series 2016 Refunding
Interest rate	3.0% - 5.0%	2.0% - 3.625%	2.0% - 4.0%	2.0% - 4.0%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/16 -	9/1/16 -	9/1/16 -	9/1/17 -
Maturity dates	9/1/40	9/1/39	9/1/34	9/1/33
Beginning bonds outstanding	\$ 3,825,000	\$ 18,900,000	\$ 5,280,000	\$ 4,250,000
Bonds issued				
Bonds refunded				
Bonds retired	<u>(150,000)</u>	<u>(825,000)</u>	<u>(180,000)</u>	<u>(10,000)</u>
Ending bonds outstanding	<u>\$ 3,675,000</u>	<u>\$ 18,075,000</u>	<u>\$ 5,100,000</u>	<u>\$ 4,240,000</u>
Interest paid during fiscal year	<u>\$ 141,962</u>	<u>\$ 550,031</u>	<u>\$ 171,744</u>	<u>\$ 149,150</u>

See accompanying auditors' report.

Bond Issue			
Series 2017 Levee	Series 2017 Park	Series 2017 Refunding	Totals
2.0% - 3.75%	0.75% - 1.50%	2.0% - 4.0%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/17 -	9/1/18 -	9/1/18 -	
9/1/40	9/1/21	9/1/35	
\$ -	\$ -	\$ -	\$ 73,030,000
17,770,000	11,750,000	3,715,000	33,235,000
			(3,390,000)
(120,000)			(2,735,000)
<u>\$ 17,650,000</u>	<u>\$ 11,750,000</u>	<u>\$ 3,715,000</u>	<u>\$ 100,140,000</u>
<u>\$ 337,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,914,499</u>

Fort Bend County Levee Improvement District No. 15
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 1,317,910	\$ 771,121	\$ 1,578,510	\$ 684,951	\$ 516,149
Miscellaneous	75,623	22,500	35,598	37,900	30,398
Investment earnings	12,397	4,554	1,245	219	374
Total Revenues	<u>1,405,930</u>	<u>798,175</u>	<u>1,615,353</u>	<u>723,070</u>	<u>546,921</u>
Expenditures					
Operations and administrative					
Professional fees	255,830	250,213	135,279	84,850	96,104
Contracted services	212,857	135,079	116,188	102,189	107,901
Repairs and maintenance	777,104	393,071	298,346	146,267	144,579
Utilities	2,143				
Administrative	48,044	43,971	45,224	36,324	35,728
Other	57,935	26,075	30,695	30,495	20,530
Capital outlay				150,000	
Total Expenditures	<u>1,353,913</u>	<u>848,409</u>	<u>625,732</u>	<u>550,125</u>	<u>404,842</u>
Revenues Over (Under) Expenditures	<u>\$ 52,017</u>	<u>\$ (50,234)</u>	<u>\$ 989,621</u>	<u>\$ 172,945</u>	<u>\$ 142,079</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
94%	96%	98%	95%	94%
5%	3%	2%	5%	6%
1%	1%	*	*	*
100%	100%	100%	100%	100%
18%	31%	8%	12%	18%
15%	17%	7%	14%	20%
55%	49%	18%	20%	26%
*				
3%	6%	3%	5%	7%
4%	3%	2%	4%	4%
			21%	
95%	106%	38%	76%	75%
5%	(6%)	62%	24%	25%

*Fort Bend County Levee Improvement District No. 15
 TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
 For the Last Five Fiscal Years*

	Amounts				
	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 9,379,271	\$ 7,464,662	\$ 3,913,620	\$ 2,968,121	\$ 2,236,648
Penalties and interest	74,750	39,510	40,630	23,412	13,323
Accrued interest on bonds sold	61,162	52,357	11,210	14,129	61,269
Miscellaneous	25	125	250	25	25
Investment earnings	68,271	22,525	8,147	7,966	8,665
Total Revenues	9,583,479	7,579,179	3,973,857	3,013,653	2,319,930
Expenditures					
Tax collection services	148,832	106,616	79,767	53,439	37,861
Other	15,000	2,500		5,000	5,000
Debt service					
Principal	2,735,000	3,090,000	1,440,000	1,205,000	490,000
Interest and fees	2,922,299	2,781,495	2,197,106	2,073,804	1,369,634
Debt issuance costs	174,759	279,461			145,530
Payment to refunded bond escrow agent	63,000				
Total Expenditures	6,058,890	6,260,072	3,716,873	3,337,243	2,048,025
Revenues Over (Under) Expenditures	\$ 3,524,589	\$ 1,319,107	\$ 256,984	\$ (323,590)	\$ 271,905
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2017	2016	2015	2014	2013
97%	98%	99%	99%	96%
1%	1%	1%	1%	1%
1%	1%	*	*	3%
*	*	*	*	*
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	1%	2%	2%	2%
*	*		*	*
29%	41%	36%	40%	21%
30%	37%	55%	69%	59%
2%	4%			6%
1%				
64%	83%	93%	111%	88%
36%	17%	7%	(11%)	12%

**Fort Bend County Levee Improvement District No. 15
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2017**

Complete District Mailing Address: 16555 Southwest Freeway, Suite 200, Sugar Land, TX 77479

District Business Telephone Number: (281) 500-6050

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): September 26, 2017

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Frank Yonish	09/16 to 09/20	\$ 5,400	\$ 1,770	President
Darrell Groves	09/17 to 09/20			Vice President/ Secretary
Teresa Kurkjian	08/16 to 09/20	1,500	29	Assistant Vice President/ Assistant Secretary
Allan Harris	09/16 to 08/17	4,200	1,984	Former Director
Consultants				
The Muller Law Group, PLLC	2014	<u>\$ 880,909</u>		Attorney
Levee Management Services, LLC	2012	243,180		Operator
Avanta Services	2004	26,166		Bookkeeper /Accounting
Esther Flores, RTA Tax Tech	2003	54,452		Tax Collector
Fort Bend Central Appraisal District	Legislation	66,952		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2004	20,963		Delinquent Tax Attorney
Costello, Inc.	2000			Engineer
<i>Amount paid directly by district</i>		221,306		
<i>Amount paid from developer reimbursements</i>		925,059		
McGrath & Co., PLLC	Annual	41,050		Auditor
FirstSouthwest Company, a division of Hilltop Securities	2000	425,956		Financial Advisor
TBG Partners	2008			Landscape Architect
<i>Amount paid directly by district</i>		5,518		
<i>Amount paid from developer reimbursements</i>		1,344,612		

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

See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN