

OFFICIAL STATEMENT DATED JULY 16, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

S&P (BAM Insured)..... "AA"  
Moody's (Underlying)..... "Baa3"

\$4,240,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215

(A Political Subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX BONDS

SERIES 2019

Interest accrues from: August 1, 2019

Due: September 1, as shown on inside cover

The \$4,240,000 Unlimited Tax Bonds, Series 2019 (the "Bonds"), are obligations of Fort Bend County Municipal Utility District No. 215 (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable at maturity or earlier redemption by the paying agent/registrars, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from August 1, 2019, and is payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption, and will be calculated on the basis a 360-day year consisting of twelve 30-day months. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which, will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM."

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

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas; or any entity other than the District. See "THE BONDS – Source and Security for Payment."

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**.



Investment in the Bonds is subject to certain risk factors as described herein. Prospective purchasers of the Bonds should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision. See "RISK FACTORS."

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 Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about August 21, 2019.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$100,000	4.500%	1.550%	34683N CA8	2032 (c)	\$165,000	2.625%	2.850%	34683N CN0
2021	110,000	4.500%	1.600%	34683N CB6	2033 (c)	170,000	2.625%	2.900%	34683N CP5
2022	115,000	4.500%	1.650%	34683N CC4	2034 (c)	175,000	2.750%	2.950%	34683N CQ3
2023	120,000	4.000%	1.700%	34683N CD2	2035 (c)	185,000	2.750%	3.000%	34683N CR1
2024	125,000	4.000%	1.800%	34683N CE0	2036 (c)	190,000	3.000%	3.020%	34683N CS9
2025 (c)	125,000	2.000%	1.900%	34683N CF7	2037 (c)	195,000	3.000%	3.040%	34683N CT7
2026 (c)	130,000	2.000%	2.100%	34683N CG5	2038 (c)	205,000	3.000%	3.060%	34683N CU4
2027 (c)	135,000	2.000%	2.250%	34683N CH3	2039 (c)	210,000	3.000%	3.080%	34683N CV2
2028 (c)	140,000	2.000%	2.350%	34683N CJ9	2040 (c)	220,000	3.000%	3.090%	34683N CW0
2029 (c)	145,000	2.000%	2.450%	34683N CK6	2041 (c)	230,000	3.000%	3.100%	34683N CX8
2030 (c)	155,000	2.375%	2.700%	34683N CL4	2042 (c)	235,000	3.000%	3.110%	34683N CY6
2031 (c)	160,000	2.500%	2.800%	34683N CM2					

\$500,000 Term Bonds Due September 1, 2044 (c) (d), Interest Rate: 3.000% (Price: \$97.925) (a), CUSIP No. 34683N DA7 (b)

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- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Initial Purchaser (defined herein) and may subsequently be changed. Accrued interest from August 1, 2019, is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on and 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 any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*." The yield on Bonds maturing on and after September 1, 2025, is calculated to the lower of yield to redemption or maturity.
- (d) Subject to mandatory redemption by lot or other customary random method on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, 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 District c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056 upon payment of the costs for duplication thereof.

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 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 the Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "GENERAL CONSIDERATIONS - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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."

**TABLE OF CONTENTS**

USE OF INFORMATION IN OFFICIAL STATEMENT ...	1	Potential Impact of Natural Disaster .....	14
SALE AND DISTRIBUTION OF THE BONDS .....	3	Levee System .....	14
Award and Marketing of the Bonds .....	3	Environmental Regulations.....	14
Prices and Marketability .....	3	Fort Bend Subsidence District.....	18
Securities Laws.....	3	Tax Collection Limitations .....	18
MUNICIPAL BOND INSURANCE.....	3	Registered Owners' Remedies and	
Bond Insurance Policy .....	3	Bankruptcy .....	18
Build America Mutual Assurance Company .....	4	Bankruptcy Limitation to Registered Owners'	
MUNICIPAL BOND RATINGS .....	5	Rights.....	19
OFFICIAL STATEMENT SUMMARY .....	6	Future Debt.....	19
INTRODUCTION.....	12	Marketability of the Bonds .....	20
RISK FACTORS.....	12	Continuing Compliance with Certain	
General.....	12	Covenants.....	20
Factors Affecting Taxable Values and Tax		Approval of the Bonds .....	20
Payments .....	12	Future and Proposed Legislation.....	20
Hurricane Harvey.....	14	2019 Legislative Session.....	20

Bond Insurance Risk Factors .....	21	Estimated Overlapping Taxes.....	40
THE BONDS.....	21	THE DISTRICT .....	41
General.....	22	General.....	41
Description.....	22	Description.....	41
Authority for Issuance .....	22	Strategic Partnership Agreement with the	
Source and Security for Payment.....	22	City of Richmond.....	42
Funds .....	22	Management of the District.....	42
Record Date .....	23	STATUS OF DEVELOPMENT.....	44
Redemption Provisions .....	23	Status of Development.....	44
Method of Payment of Principal and Interest.....	24	Homebuilders Active within the District.....	44
Registration .....	24	PHOTOGRAPHS TAKEN WITHIN THE DISTRICT ....	45
Replacement of Paying Agent/Registrar .....	24	AERIAL PHOTOGRAPH OF THE DISTRICT .....	47
Legal Investment and Eligibility to Secure		THE DEVELOPER .....	48
Public Funds in Texas.....	24	The Role of a Developer .....	48
Outstanding Bonds .....	25	Description.....	48
Issuance of Additional Debt.....	25	Lot-Sales Contracts.....	48
Financing Road Facilities.....	25	Development Financing .....	49
Financing Recreational Facilities .....	26	THE UTILITY SYSTEM.....	49
Annexation.....	26	Contract with City of Richmond .....	49
Consolidation .....	27	Water Supply .....	49
Remedies in Event of Default.....	27	Wastewater.....	49
Defeasance .....	27	Drainage.....	49
BOOK-ENTRY-ONLY SYSTEM.....	27	Regulation .....	49
Use of Certain Terms in Other Sections of this		Fort Bend Subsidence District.....	49
Official Statement.....	29	Flood Protection.....	50
USE AND DISTRIBUTION OF BOND PROCEEDS .....	30	THE ROAD SYSTEM.....	51
DISTRICT DEBT.....	31	LEGAL MATTERS.....	51
General.....	31	Legal Opinions.....	51
Direct and Estimated Overlapping Debt		Legal Review .....	51
Statement.....	32	Tax Exemption .....	52
Debt Ratios.....	32	Not Qualified Tax-Exempt Obligations.....	52
Debt Service Requirements .....	33	Collateral Federal Income Tax Consequences....	52
TAXING PROCEDURES .....	34	State, Local and Foreign Taxes.....	53
Property Tax Code and County-Wide		Tax Accounting Treatment of Original Issue	
Appraisal District .....	34	Discount Bonds and Premium Bonds .....	53
Property Subject to Taxation by the District .....	34	NO MATERIAL ADVERSE CHANGE .....	54
General Residential Homestead Exemption.....	35	NO-LITIGATION CERTIFICATE .....	54
Valuation of Property for Taxation .....	35	CONTINUING DISCLOSURE OF INFORMATION .....	54
District and Taxpayer Remedies .....	35	Annual Reports .....	55
Agricultural, Open Space, Timberland and		Material Event Notices.....	55
Inventory Deferment.....	36	Availability of Information from MSRB.....	55
Tax Abatement .....	36	Limitations and Amendments.....	56
Levy and Collection of Taxes.....	36	Compliance with Prior Undertakings.....	56
District's Rights in the Event of Tax		GENERAL CONSIDERATIONS .....	56
Delinquencies.....	37	General.....	56
Rollback of Operation and Maintenance Tax		Updating of Official Statement .....	56
Rate.....	37	Certification as to Official Statement.....	57
TAX DATA.....	39	Concluding Statement.....	57
General.....	39	APPENDIX A Financial Statements of the District	
Historical Tax Collections.....	39	APPENDIX B Specimen Municipal Bond Insurance	
Tax Rate Distribution .....	39	Policy	
Analysis of Tax Base.....	40		
Principal Taxpayers .....	40		
Tax Rate Calculations .....	40		

## **SALE AND DISTRIBUTION OF THE BONDS**

### **Award and Marketing of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates on the inside cover page of this Official Statement, at a price of 97.013360% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.065674%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of Initial Purchaser or wholesaler. Other than as set forth in the Official Notice of Sale, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

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

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

## **Build America Mutual Assurance Company**

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

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

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

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

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 million, respectively.

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

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

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

### *Additional Information Available from BAM*

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

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

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

### **MUNICIPAL BOND RATINGS**

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

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

**OFFICIAL STATEMENT SUMMARY**

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

**THE BONDS**

- The District..... Fort Bend County Municipal Utility District No. 215 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”
- The Bonds..... The District’s \$4,240,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”) are dated August 1, 2019, and mature on September 1 in the years and in the amounts set forth on the inside cover hereof. Interest on the Bonds accrues from August 1, 2019, and is payable March 1, 2020, and on each September 1 and March 1 thereafter until maturity or prior redemption. See “THE BONDS.”
- Redemption..... The Bonds that mature 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 the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption*.” The Bonds that mature on September 1, 2044, are term bonds that are also subject to mandatory redemption as provided herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption*.”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (hereinafter defined) of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”
- Source of Payment..... Principal of and interest on the Bonds are 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, Texas; the City of Richmond, Texas; or any entity other than the District. See “THE BONDS – Source and Security for Payment.”
- Outstanding Bonds ..... The District has previously issued the following two series of unlimited tax bonds: \$7,025,000 Unlimited Tax Bonds, Series 2018, and \$3,695,000 Unlimited Tax Road Bonds, Series 2018A. As of June 1, 2019, all \$10,720,000 principal amount remains outstanding (the “Outstanding Bonds”).
- Payment Record..... The District has never defaulted on the timely payment of debt service due on its prior bonded indebtedness.
- Authority for Issuance..... At an election held within the District on May 9, 2015, voters of the District authorized the District’s issuance of a total of \$112,000,000



principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"), \$39,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"), and \$18,700,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District (the "Park System"). The Bonds represent the District's second series of bonds to be issued for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$100,735,000 for the Utility System, \$35,305,000 for the Road System, and \$18,700,000 for the Park System.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order (herein defined); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an order of the Texas Commission on Environmental Quality dated May 8, 2019; and the election held within the District described above. See "THE BONDS – Authority for Issuance."

Use of Proceeds .....	Proceeds from the sale of the Bonds will be used to redeem the District's \$2,520,000 Bond Anticipation Note, Series 2018 (the "BAN"), the proceeds of which were used to reimburse the Developer (herein defined) for the following: (i) water impact fees; (ii) wastewater impact fees; (iii) operating advances; and (iv) a portion of the costs to construct water, wastewater, and drainage facilities serving certain developed sections within the District. In addition, proceeds from sale of the Bonds will be used to reimburse the Developer for costs associated with item (iv) above that were not reimbursed by the BAN, to pay six (6) months of capitalized interest on the Bonds, and to pay costs of issuance of the BAN and the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Not Qualified Tax-Exempt Obligations .....	The Bonds have <u>not</u> been designated "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS – Not Qualified Tax-Exempt Obligations."
Municipal Bond Insurance .....	Build America Mutual Assurance Company. See "MUNICIPAL BOND INSURANCE" above.
Ratings .....	S&P (BAM Insured): "AA." Moody's (Underlying): "Baa3." See "MUNICIPAL BOND RATINGS" above.
Bond Counsel .....	Schwartz, Page & Harding, L.L.P., Houston, Texas.
Disclosure Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.

**THE DISTRICT**

Description .....	The District was created by order of the Texas Commission on Environmental Quality ("TCEQ") dated November 13, 2014, and operates pursuant to Chapters 49 and 54 of the Texas Water Code and the general laws of the State of Texas applicable to municipal utility districts. The District consists of approximately 589.14 total acres of land, all within Fort Bend County, Texas. The District is
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located approximately 25 miles southwest of the central business district of the City of Houston, Texas, and approximately 2 miles south of the City of Richmond, Texas (the “City”). With the exception of a small 30-foot wide strip of land along Williams Way Boulevard (a utility easement) that is within the corporate limits of the City, the District is located entirely within the extraterritorial jurisdiction of the City. See “THE DISTRICT.”

Authority.....The rights, powers, privileges, authority, and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”

The Developer.....HW 589 Holdings LLC, a Delaware limited liability company (the “Developer”), is the developer of land in the District. The Developer is an affiliate of The Johnson Development Corp. Established in 1975, The Johnson Development Corp. is a leading land developer of properties across the country, particularly master-planned residential communities in the major markets of Texas. See “THE DEVELOPER.”

Status of Development.....The District is being developed as the master-planned residential community known as Veranda. To date, approximately 944 single-family lots have been developed within the following single-family residential subdivisions: Veranda, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 24, and 26. As of June 1, 2019, development within the District consisted of approximately 461 completed homes (approximately 399 occupied, 52 unoccupied, and 10 model homes), approximately 75 homes under construction, and approximately 408 vacant, developed lots. In addition, approximately 29 single-family lots are currently under construction for the development of Veranda, Section 12. The single-family residential subdivisions referenced above encompass approximately 317.24 total acres. The remainder of the lands within the District consists of approximately 4.98 acres for a recreation center, approximately 68.80 undevelopable acres, and approximately 198.12 acres that are available for additional development. See “STATUS OF DEVELOPMENT.”

Homebuilders Within the District.....Homebuilders active within the District include Coventry Homes, David Weekley Homes, Highland Homes, Lennar Homes, Newmark Homes, Perry Homes, Sitterle Homes, and Westin Homes. New homes being constructed in the District range in price from \$185,000 to \$575,000 and in size from 1,450 to over 3,200 square feet. See “STATUS OF DEVELOPMENT – Homebuilders Active within the District.”

Hurricane Harvey.....The Texas Gulf Coast area, including Fort Bend County, Texas, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017. According to the Engineer (herein defined), the water and sewer system serving the District, which is owned and operated by the City, did not sustain any material damage and there was no interruption to water and sewer service in the District. Further, to the best knowledge of the Developer and the Engineer, no homes in

the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. See “RISK FACTORS – Hurricane Harvey” and “– Potential Impact of Natural Disaster.”

**RISK FACTORS**

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

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**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2018 Taxable Assessed Valuation.....	\$ 65,031,275 (a)
2019 Preliminary Valuation.....	\$ 146,421,306 (b)
Estimated Valuation as of May 1, 2019 .....	\$ 167,911,306 (c)
<b>Direct Debt</b>	
The Outstanding Bonds (as of June 1, 2019).....	\$ 10,720,000
The Bonds .....	<u>\$ 4,240,000</u>
Total.....	\$ 14,960,000
Estimated Overlapping Debt .....	<u>\$ 8,126,972 (d)</u>
Total Direct and Estimated Overlapping Debt .....	\$ 23,086,972 (d)
<b>Direct Debt Ratio:</b>	
As a Percentage of 2018 Taxable Assessed Valuation.....	23.00 %
As a Percentage of 2019 Preliminary Valuation .....	10.22 %
As a Percentage of Estimated Valuation as of May 1, 2019 .....	8.91 %
<b>Direct and Estimated Overlapping Debt Ratio:</b>	
As a Percentage of 2018 Taxable Assessed Valuation.....	35.50 %
As a Percentage of 2019 Preliminary Valuation .....	15.77 %
As a Percentage of Estimated Valuation as of May 1, 2019 .....	13.75 %
Debt Service Funds Available for Utility System Bonds (as of June 18, 2019) .....	\$361,272 (e)
Debt Service Funds Available for Road System Bonds (as of June 18, 2019).....	\$360,208 (f)
Operating Fund Balance (as of June 18, 2019).....	\$422,514

- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2018, as certified by the Fort Bend Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the Fort Bend Central Appraisal District. This preliminary value is subject to protest by the owners of taxable property in the District. No taxes will be levied on this preliminary value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Fort Bend Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2019, and includes an estimate of additional taxable value resulting from the construction of taxable improvements through May 1, 2019. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) In addition to this amount, upon closing and delivery of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited in the sub-account of the District's Debt Service Fund for payment of debt service on Utility Bonds (hereinafter defined). Such funds are reserved for payment of debt service on bonds issued by the District for the Utility System and are not available for payment of debt service on bonds issued for the Road System. See "THE BONDS - Funds." Although the Outstanding Bonds and the Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on bonds issued for the purpose of financing water, wastewater and drainage facilities or to refund such bonds ("Utility Bonds") and bonds issued for the purpose of financing road facilities or to refund such bonds ("Road Bonds").
- (f) Such funds are reserved for payment of debt service on bonds issued by the District for the Road System and are not available for payment of debt service on bonds issued for the Utility System. See "THE BONDS - Funds."

**SELECTED FINANCIAL INFORMATION**  
**(UNAUDITED)**

2018 Tax Rate	
Debt Service .....	\$0.77
Maintenance and Operations .....	<u>\$0.23</u>
Total.....	\$1.00
Average Annual Debt Service Requirement (2020-2044) .....	\$902,749 (g)
Maximum Annual Debt Service Requirement (2043).....	\$982,500 (g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2020-2044) at 95% Tax Collections	
Based on 2018 Taxable Assessed Valuation.....	\$1.47
Based on 2019 Preliminary Valuation .....	\$0.65
Based on Estimated Valuation as of May 1, 2019.....	\$0.57
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2043) at 95% Tax Collections	
Based on 2018 Taxable Assessed Valuation.....	\$1.60
Based on 2019 Preliminary Valuation .....	\$0.71
Based on Estimated Valuation as of May 1, 2019.....	\$0.62

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(g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

## INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 215 (the "District") of its \$4,240,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) the bond order adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Bond Order"), (ii) the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on May 9, 2015, and (iv) an order issued by the Texas Commission on Environmental Quality ("TCEQ") dated May 8, 2019.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

## RISK FACTORS

### General

The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Richmond, Texas (the "City"); or any political subdivision or entity other than the District. The Bonds are secured by the levy of an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District on all taxable property located within the District. See "THE BONDS – Source and Security for Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing and commercial retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors and Construction of Improvements:* The rate of development within the District is directly related to the vitality of the single-family housing industry in the Houston metropolitan area. Construction of new single-family homes can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. Although, as of June 1, 2019, the District included approximately 461 completed single-family homes and approximately 75 additional homes under construction, the District cannot predict the pace or magnitude of any future development in the District. See "STATUS OF DEVELOPMENT." Unless the District's tax base grows as a result of construction of additional housing and other taxable improvements, the District may be required to levy taxes at a substantially higher rate than customarily levied by other similar utility districts. An increase in the tax rate of the District to a higher level may have an adverse impact on future development in the District and on the District's ability to collect such tax. See "TAX DATA – Tax Rate Calculations."

*Competition:* The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developer or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section.

Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Location and Access:* The District is located approximately 25 miles southwest from the central business district of the City of Houston, Texas. Many of the single-family developments with which the District competes are in a more developed state and have lower taxes. As a result, particularly during times of increased competition, the Developer within the District may be at a competitive disadvantage to the developers in other single-family projects located closer to major urban centers or in a more developed state. See "THE DISTRICT" and "STATUS OF DEVELOPMENT."

*Developer's Obligations to the District:* There is no commitment by or legal requirement of the Developer (herein defined), or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "STATUS OF DEVELOPMENT" and "THE DEVELOPER."

*Dependence on Principal Taxpayers:* The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2018, the District's ten principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 22.23% of the District's total taxable assessed valuation. The Developer, the District's top taxpayer, owned approximately 8.54% of the District's total taxable assessed value as of January 1, 2018. In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAXING PROCEDURES – Levy and Collection of Taxes" and "TAX DATA – Principal Taxpayers."

*Maximum Impact on District Tax Rate:* Assuming no further development or construction of taxable improvements, the value of the land and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners in the District to pay their taxes. The taxable assessed valuation of the District as of January 1, 2018, is \$65,031,275, the preliminary valuation as of January 1, 2019, is \$146,421,306, and the estimate of value as of May 1, 2019, is \$167,911,306. See "TAX DATA."

After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds (herein defined) and the Bonds will be \$982,500 (2043), and the average annual debt service requirement of the Outstanding Bonds and the Bonds will be \$902,749 (2020–2044). Based on the District's taxable assessed valuation as of January 1, 2018, and no use of funds on hand, a tax rate of \$1.60 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$1.47 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's preliminary valuation as of January 1, 2019, and no use of funds on hand, a tax rate of \$0.71 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.65 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Based on the District's estimate of value as of May 1, 2019, and no use of funds on hand, a tax rate of \$0.62 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.57 per \$100 assessed valuation at a 95% collection rate would be necessary

to pay the average annual debt service requirement. See “DISTRICT DEBT – Debt Service Requirements” and “TAX DATA – Tax Rate Calculations.”

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. Increases in the District’s tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

### **Hurricane Harvey**

The Texas Gulf Coast area, including Fort Bend County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days.

According to the Engineer (herein defined), the water and sewer facilities serving the District, which are owned and operated by the City, sustained no material damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service to the District. Furthermore, according to the Developer and the Engineer, there were no homes in the District that experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the surrounding region. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

### **Potential Impact of Natural Disaster**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates.

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

### **Levee System**

Fort Bend County Levee Improvement District No. 6 has constructed and operates levee and drainage improvements that serve to protect lands within the District from flooding. The levee and drainage system has been designed and constructed to all current standards, however, the system does not protect against all flooding scenarios, and flooding could occur in the District as a result of overtopping of the levee, failure, or breach of the levee, or excessive rainfall. See “THE UTILITY SYSTEM – Flood Protection” for further information.

### **Environmental Regulations**

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

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;



- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

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

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

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the 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, the 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 the 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 the 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.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ 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.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard. On November 14, 2018, the EPA published a proposed rule relating to the attainment date for 11 areas classified as “moderate” for the 2008 ozone NAAQS, including the HGB Area (the “Proposed Rule”). In its proposed rule, the EPA identified HGB Area as one of seven areas that failed to attain the standards by the attainment date. The effect of failing to attain by the attainment date is such that the area will be reclassified by operation of law to “Serious” upon the effective date of the final reclassification notice. Consequently, the

responsible state agency, must submit SIP revisions required to satisfy the statutory and regulatory requirements for Serious areas for the 2008 ozone NAAQS.

In response to the Proposed Rule, the TCEQ submitted comments on December 11, 2018 and requested a hearing to provide testimony to the EPA regarding disagreement with the EPA's proposed deadlines for various SIP requirements including the proposed SIP submittal deadline for attainment demonstration and reasonable further progress SIP revisions and the proposed implementation deadline for reasonably available control technology ("RACT"). In the TCEQ's comments, the TCEQ recommended alternative SIP submittal and RACT implementation deadlines to account for the significant time, effort, and resources required for SIP development and to allow affected entities time to comply with the new rule requirements.

The EPA received multiple requests for a public hearing in response to the Proposed Rule and subsequently held a public hearing on February 15, 2019. In addition, the time allowed for public comment was reopened from February 8, 2019 until February 22, 2019.

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. The attainment deadline is August 3, 2021 for the 2015 Ozone Standard.

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 demonstrate progress in reducing ozone levels.

**Water Supply & Discharge Issues.** Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the

state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

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. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

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 system. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement

best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

### **Fort Bend Subsidence District**

The District obtains its water supply from facilities owned and operated by the City. The City's authority to pump groundwater is subject to an annual permit issued by the Fort Bend Subsidence District (the "Subsidence District"). The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the City and the District. The Subsidence District's regulations required the City, individually or collectively with other water users, to prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District by the applicable water well permit expiration date in the year 2010. The City has prepared its GRP and obtained the required certification from the Subsidence District. By execution of the Contract, as hereinafter defined, the District has agreed to be part of the City's GRP and to pay certain associated costs, and the imposition of a monthly fee charged to the customers of the District by the City based on the volume of water supplied to such customers each month.

The Subsidence District's regulations further require the City individually or collectively with other water users to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2016; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning October 2025.

If the City fails to comply with the above Subsidence District regulations, the City will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand. If the District failed to comply with surface water conversion requirements mandated by the City, the District would be subject to monetary or other penalties imposed by the City.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other 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 (6) 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 "TAXING PROCEDURES."

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

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds ("Registered Owners") have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order 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.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9 of the Federal Bankruptcy Code, 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 the 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 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.

### **Future Debt**

At an election held within the District on May 9, 2015, voters of the District authorized the District's issuance of the following: a total of \$112,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"); a total of \$18,700,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District (the "Park System"); a total of \$130,700,000 principal amount of unlimited tax bonds for the purpose of refunding of bonds issued by the District for the Utility System or the Park System; a total of \$39,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"); and a total of \$39,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the second series of bonds to be issued by the District for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax

bonds will remain authorized but unissued: \$100,735,000 for the Utility System; \$18,700,000 for the Park System; \$130,700,000 for the refunding of bonds issued for the Utility System or the Park System; \$35,305,000 for the Road System; and \$39,000,000 for the refunding of bonds issued by the District for the Road System.

All of the remaining bonds described above, which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. In the Bond Order, the District reserves the right to issue the remaining authorized but unissued bonds and such additional bonds as may hereafter be approved by the voters of the District.

The District's issuance of the remaining unlimited tax bonds for the Utility System and for the Park System shall be subject to approval by the TCEQ. The District's issuance of bonds for purpose of constructing or acquiring the Road System is not subject to approval of the TCEQ however. In the third quarter of 2019, the District anticipates that it will issue its second series of bonds for the purpose of constructing or acquiring the Road System. The principal amount of such series of bonds is estimated to be \$5,525,000.

According to the Developer, following the issuance of the Bonds, the District will owe the Developer approximately \$10,747,100 for its expenditures to construct the Utility System, approximately \$2,523,731 for expenditures to construct the Park System, and approximately \$4,432,665 for expenditures to construct the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

### **Marketability of the Bonds**

The District has no understanding with the initial purchaser of the Bonds described on page 3 hereof (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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

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

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "LEGAL MATTERS – Tax Exemption."

### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **2019 Legislative Session**

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and

other matters which may have an adverse impact on the District's operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

The District cannot predict whether the Governor will call one or more special sessions to address other property tax reforms.

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

### **THE BONDS**

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District's operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

## **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel (hereinafter defined) upon payment of the costs of duplication therefor. The Bond Order 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.

## **Description**

The Bonds will be dated August 1, 2019, with interest payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from August 1, 2019, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

## **Authority for Issuance**

At an election held within the District on May 9, 2015, voters of the District authorized a total of \$112,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System. The Bonds constitute the second issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$100,735,000 in principal amount of unlimited tax bonds for the Utility System will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; an order of the TCEQ dated May 8, 2019; and the election held within the District described above.

At an election held within the District on May 9, 2015, voters of the District authorized a total of \$39,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System. Of such voted authorization, a total of \$35,305,000 in principal amount of unlimited tax bonds for the Road System remains authorized but unissued.

At such election, voters in the District also authorized the District's issuance of a total of \$18,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System. To date, the District has issued no bonds from such voted authorization. See "Financing Recreational Facilities" below.

## **Source and Security for Payment**

The Bonds, together with the Outstanding Bonds (hereinafter defined) and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City; or any political subdivision or entity other than the District.

## **Funds**

The Bond Order confirms the prior creation of the District's Debt Service Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance the Utility System ("Utility Bonds") from funds received to pay debt service on bonds issued to finance the Road System ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from Utility Bonds and Road Bonds.



Accrued interest on the Bonds plus an amount equal to six (6) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Debt Service Fund created in respect of Utility Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of Utility Bonds.

The proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Debt Service Fund created in respect of Utility Bonds. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds (herein defined), the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District.

Funds in the sub-account created in respect of Utility Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of Utility Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar (herein defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized Utility Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Utility Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Debt Service Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

Funds in the sub-account created in respect of Road Bonds are to be used for payment of debt service on the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-account of the Debt Service Fund created in respect of Road Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the District's duly authorized Road Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on Road Bonds, together with interest thereon, as such tax anticipation notes become due.

**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) next preceding such Interest Payment Date.

**Redemption Provisions**

*Mandatory Redemption*

The Bonds maturing on September 1, 2044 (the "Term Bond"), shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

<u>Year of Redemption</u>	<u>Principal Amount</u>
2043	\$245,000
2044 (Maturity)	\$255,000

Notice of mandatory redemption of the Term Bond will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with particular portions of the Term Bond to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

### Optional Redemption

The District reserves the right, at its option, to redeem the Bonds (including the Term Bond) maturing on or after September 1, 2025, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of the Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

### Effects of Redemption

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including the Term Bond) or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

### **Method of Payment of Principal and Interest**

The Board of Directors of the District (the "Board") has appointed Zions Bancorporation, National Association, Houston, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

### **Registration**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

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

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan

associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

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

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

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 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.

### **Outstanding Bonds**

The District has previously issued the following two series of unlimited tax bonds: \$7,025,000 Unlimited Tax Bonds, Series 2018, and \$3,695,000 Unlimited Tax Road Bonds, Series 2018A. As of June 1, 2019, all \$10,720,000 principal amount remains outstanding (the "Outstanding Bonds").

### **Issuance of Additional Debt**

Voters of the District authorized the District's issuance of a total of \$112,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System, \$39,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System, and could authorize additional amounts. Following issuance of the Bonds, the District will have \$100,735,000 of unlimited tax bonds authorized but unissued for the Utility System and \$35,305,000 of unlimited tax bonds authorized but unissued for the Road System.

Voters of the District have also authorized the District's issuance of the following: \$18,700,000 principal amount of unlimited tax bonds for constructing or acquiring the Park System; \$130,700,000 principal amount of unlimited tax bonds for the refunding of bonds issued by the District for the Utility System or the Park System; \$39,000,000 principal amount of unlimited tax bonds for the refunding of bonds issued by the District for the Road System; and could authorize additional amounts. The Bond Order 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. In the third quarter of 2019, the District anticipates that it will issue its second series of bonds for the purpose of constructing or acquiring the Road System. The principal amount of such series of bonds is estimated to be \$5,525,000. See "Financing Road Facilities" and "Financing Recreational Facilities" below.

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

### **Financing Road Facilities**

Pursuant to the provisions of the Texas Constitution and Chapter 54 Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and

finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District, and, at election held within the District on May 9, 2015, voters of the District authorized a total of \$39,000,000 principal amount of unlimited tax bonds for financing and constructing the Road System. From such voted authorization, the District has previously issued one series of bonds, and, currently, \$35,305,000 principal amount of unlimited tax bonds for financing and constructing the Road System remains authorized but unissued.

In the third quarter of 2019, the District anticipates that it will issue its second series of bonds for the purpose of constructing or acquiring the Road System. The principal amount of such series of bonds is estimated to be \$5,525,000. See "Issuance of Additional Debt" and "RISK FACTORS – Future Debt." Issuance of additional bonds for the Road System may dilute the security for the Bonds.

### **Financing Recreational Facilities**

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. Issuance of bonds for recreational facilities could dilute the investment security for the Bonds. At election held within the District on May 9, 2015, voters of the District authorized a total of \$18,700,000 in bonds for the purpose of acquiring or constructing the Park System and could authorize additional amounts.

### **Annexation**

Under existing Texas law, since all of the land within the District, except a 30-foot wide strip which is within the corporate limits of the City, is situated within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Effective December 1, 2017, such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should such annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) until such time as (i) ninety percent (90%) of the Utility System, Park System, and Road System to serve property in the District has been constructed, and (ii) the District has reimbursed the Developer for such facilities to the maximum extent permitted by the rules of the TCEQ or the City assumes the District's obligation to reimburse the Developer under such rules. See "THE DISTRICT – Strategic Partnership Agreement with the City of Richmond."

## **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes, and other obligations. If each district assumes the other's bonds, notes, and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

## **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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order 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. Certain traditional legal remedies also may not be available. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy."

## **Defeasance**

The District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal of and interest on the Bonds and may defease the Bonds in accordance with the provisions of applicable laws, including, without limitation, Chapter 1207, Texas Government Code, as amended.

## **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over

100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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, 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 Paying Agent/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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial

Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, District or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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.

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

*[Remainder of this page intentionally left blank.]*

**USE AND DISTRIBUTION OF BOND PROCEEDS**

Proceeds from the sale of the Bonds will be used to redeem the District’s \$2,520,000 Bond Anticipation Note, Series 2018 (the “BAN”), the proceeds of which were used to reimburse the Developer (herein defined) for the following: (i) water impact fees; (ii) wastewater impact fees; (iii) operating advances; and (iv) a portion of the costs to construct water, wastewater, and drainage facilities serving certain developed sections within the District. In addition, proceeds from sale of the Bonds will be used to reimburse the Developer for costs associated with item (iv) above that were not reimbursed by the BAN, to pay six (6) months of capitalized interest on the Bonds, and to pay costs of issuance of the BAN and the Bonds.

**Construction Related Costs**

Construction Costs approved by the TCEQ .....	\$ 3,144,094
Accrued Interest on Construction Costs.....	<u>350,299</u>
Total Construction Related Costs .....	\$ 3,494,393

**Bond Anticipation Note Costs**

Bond Anticipation Note Interest.....	\$ 59,214
Issuance Costs and Professional Fees.....	<u>62,898</u>
Total Bond Anticipation Note Costs .....	\$ 122,112

**Non-Construction Costs**

Bond Discount.....	\$ 126,634
Capitalized Interest (6 Months) .....	61,925
Operating Advances.....	<u>50,000</u>
Total Non-Construction Costs.....	\$ 238,559

**Issuance Costs and Fees**

Issuance Costs and Professional Fees.....	\$ 231,151
Bond Application Report Costs .....	60,000
State Regulatory Fees .....	14,840
Contingency.....	<u>78,945</u>
Total Issuance Costs and Fees.....	\$ 384,936

**Total Bond Issue Requirement \$ 4,240,000**

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.



## DISTRICT DEBT

### General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property.

2018 Taxable Assessed Valuation.....	\$	65,031,275	(a)
2019 Preliminary Valuation .....	\$	146,421,306	(b)
Estimated Valuation as of May 1, 2019 .....	\$	167,911,306	(c)
<b>Direct Debt</b>			
The Outstanding Bonds (as of June 1, 2019).....	\$	10,720,000	
The Bonds .....	\$	<u>4,240,000</u>	
Total.....	\$	14,960,000	
Estimated Overlapping Debt .....	\$	<u>8,126,972</u>	(d)
Total Direct and Estimated Overlapping Debt .....	\$	23,086,972	(d)
<b>Direct Debt Ratio:</b>			
As a Percentage of 2018 Taxable Assessed Valuation.....		23.00	%
As a Percentage of 2019 Preliminary Valuation .....		10.22	%
As a Percentage of Estimated Valuation as of May 1, 2019 .....		8.91	%
<b>Direct and Estimated Overlapping Debt Ratio:</b>			
As a Percentage of 2018 Taxable Assessed Valuation.....		35.50	%
As a Percentage of 2019 Preliminary Valuation .....		15.77	%
As a Percentage of Estimated Valuation as of May 1, 2019 .....		13.75	%
Debt Service Funds Available for Utility System Bonds (as of June 18, 2019) .....	\$	361,272	(e)
Debt Service Funds Available for Road System Bonds (as of June 18, 2019).....	\$	360,208	(f)
Operating Fund Balance (as of June 18, 2019).....	\$	422,514	

- (a) Represents the taxable assessed valuation of all taxable property in the District as of January 1, 2018, as certified by the Fort Bend Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the taxable value in the District as of January 1, 2019, provided by the Fort Bend Central Appraisal District. This preliminary value is subject to protest by the owners of taxable property in the District. No taxes will be levied on this preliminary value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Fort Bend Central Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2019, and includes an estimate of additional taxable value resulting from the construction of taxable improvements through May 1, 2019. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) In addition to this amount, upon closing and delivery of the Bonds, six (6) months of capitalized interest on the Bonds will be deposited in the sub-account of the District's Debt Service Fund for payment of debt service on Utility Bonds. Such funds are reserved for payment of debt service on bonds issued by the District for the Utility System and are not available for payment of debt service on bonds issued for the Road System. See "THE BONDS - Funds." Although the Outstanding Bonds and the Bonds have been and are being issued on a parity basis and are payable from an unlimited tax pledge, portions of the District's ad valorem tax revenue will be allocated on a pro rata basis between debt service on Utility Bonds and Road Bonds.
- (f) Such funds are reserved for payment of debt service on bonds issued by the District for the Road System and are not available for payment of debt service on bonds issued for the Utility System. See "THE BONDS - Funds."

2018 Tax Rate	
Debt Service .....	\$0.77
Maintenance and Operations .....	<u>\$0.23</u>
Total.....	\$1.00
Average Annual Debt Service Requirement (2020–2044) .....	\$902,749 (g)
Maximum Annual Debt Service Requirement (2043).....	\$982,500 (g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Average Annual Debt Service Requirement (2020–2044) at 95% Tax Collections	
Based on 2018 Taxable Assessed Valuation.....	\$1.47
Based on 2019 Preliminary Valuation .....	\$0.65
Based on Estimated Valuation as of May 1, 2019.....	\$0.57
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement (2043) at 95% Tax Collections	
Based on 2018 Taxable Assessed Valuation.....	\$1.60
Based on 2019 Preliminary Valuation .....	\$0.71
Based on Estimated Valuation as of May 1, 2019.....	\$0.62

**Direct and Estimated Overlapping Debt Statement**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt June 30, 2019	Overlapping	
		Percent	Amount
Fort Bend County	\$560,744,527	0.10%	\$ 545,150
Lamar Consolidated Independent School District	1,039,230,000	0.45	4,682,222
Fort Bend County Levee Improvement District No. 6 (a)	22,895,000	12.66	<u>2,899,600</u>
Total Estimated Overlapping Debt			\$ 8,126,972
The District (b)			<u>\$ 14,960,000</u>
Total Direct & Estimated Overlapping Debt (c)			\$ 23,086,972

**Debt Ratios**

Direct Debt Ratio (b):

As a Percentage of 2018 Taxable Assessed Valuation.....	23.00%
As a Percentage of 2019 Preliminary Valuation .....	10.22%
As a Percentage of Estimated Valuation as of May 1, 2019 .....	8.91%

Direct and Estimated Overlapping Debt Ratio (c):

As a Percentage of 2018 Taxable Assessed Valuation.....	35.50%
As a Percentage of 2019 Preliminary Valuation .....	15.77%
As a Percentage of Estimated Valuation as of May 1, 2019 .....	13.75%

(g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

(a) See "RISK FACTORS – Levy System" and "THE UTILITY SYSTEM – Flood Protection."

(b) The Outstanding Bonds and the Bonds.

(c) Includes the Outstanding Bonds and the Bonds.

### Debt Service Requirements

The following schedule sets forth the annual debt service requirements of the Outstanding Bonds; the principal and interest requirements of the Bonds; and the total combined annual debt service requirements of the Outstanding Bonds and the Bonds.

Calendar Year	Outstanding Bonds Debt Service	Plus: The Bonds			Total Annual Debt Service
		Principal	Interest	Debt Service	
2020	\$644,333	\$100,000	\$134,171	\$234,171	\$878,503
2021	648,595	110,000	119,350	229,350	877,945
2022	657,138	115,000	114,400	229,400	886,538
2023	659,698	120,000	109,225	229,225	888,923
2024	665,525	125,000	104,425	229,425	894,950
2025	671,185	125,000	99,425	224,425	895,610
2026	671,285	130,000	96,925	226,925	898,210
2027	675,748	135,000	94,325	229,325	905,073
2028	674,210	140,000	91,625	231,625	905,835
2029	687,108	145,000	88,825	233,825	920,933
2030	688,881	155,000	85,925	240,925	929,806
2031	689,706	160,000	82,244	242,244	931,950
2032	689,731	165,000	78,244	243,244	932,975
2033	693,794	170,000	73,913	243,913	937,706
2034	697,119	175,000	69,450	244,450	941,569
2035	699,306	185,000	64,638	249,638	948,944
2036	705,744	190,000	59,550	249,550	955,294
2037	706,244	195,000	53,850	248,850	955,094
2038	705,994	205,000	48,000	253,000	958,994
2039	709,994	210,000	41,850	251,850	961,844
2040	712,575	220,000	35,550	255,550	968,125
2041	713,938	230,000	28,950	258,950	972,888
2042	718,813	235,000	22,050	257,050	975,863
2043	722,500	245,000	15,000	260,000	982,500
2044	-	255,000	7,650	262,650	262,650
<b>Total</b>	<b>\$16,509,160</b>	<b>\$4,240,000</b>	<b>\$1,819,558</b>	<b>\$6,059,558</b>	<b>\$22,568,718</b>

Average Annual Debt Service Requirement (2020–2044) ..... \$902,749

Maximum Annual Debt Service Requirement (2043)..... \$982,500

## **TAXING PROCEDURES**

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

The Texas Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the 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 wholly within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; 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 or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2018 tax year, the District has not granted any such exemptions.

The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or (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 (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer’s motor vehicles, dealer’s vessel and outboard motor vehicle, dealer’s heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has not exercised its option to tax goods-in-transit personal property but may choose to do so in the future.

### **General Residential Homestead Exemption**

Texas law 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, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2018 tax year, the District has not granted a general residential homestead exemption.

### **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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by 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.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of

appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) to five (5) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2018, no land within the District was designated for agricultural use, open space, timberland, or inventory deferment.

### **Tax Abatement**

The City or Fort Bend County may designate all or part of the District as a reinvestment zone, and the District, Fort Bend County, and (if it were to annex the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

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

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or thirty (30) days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the twenty-first (21<sup>st</sup>) day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty, and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing

sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances.

The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) effective September 1, 2017, qualifies as a disabled veteran under Texas law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

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

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of 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 other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS - Tax Collection Limitations."

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

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by

more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

#### Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election



to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions..

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

**TAX DATA**

**General**

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due September 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and its available funds. The District also has the power and authority to assess, levy, and collect ad valorem taxes, not to exceed \$1.00 per \$100 of assessed valuation, for operation and maintenance purposes. In 2018, the Board levied a total tax rate of \$1.00 per \$100 of assessed valuation composed a tax for operation and maintenance purposes in the amount of \$0.23 and a tax for payment of debt service in the amount of \$0.77.

**Historical Tax Collections**

The following table illustrates the collection history of the District for tax years 2016–2018:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 4/30/19
2016	\$ 8,940,247	\$1.000	\$ 89,402	100.00%	2017	100.00%
2017	17,681,997	1.000	176,820	99.87	2018	100.00
2018	65,031,275	1.000	650,313	98.77 (a)	2019	98.77

(a) As of April 30, 2019.

**Tax Rate Distribution**

	2018	2017	2016
Debt Service	\$0.7700	\$0.0000	\$0.0000
Maintenance & Operation	<u>\$0.2300</u>	<u>\$1.0000</u>	<u>\$1.0000</u>
Total	\$1.0000	\$1.0000	\$1.0000

**Analysis of Tax Base**

The following table illustrates the District’s total taxable assessed value in the 2016–2018 tax years by type of property.

Type of Property	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation
Land	\$28,457,329	\$17,694,270	\$8,995,780
Improvements	36,926,510	1,030	890
Personal Property	366,620	0	0
Exemptions	(719,184)	(13,303)	(56,423)
Total	\$65,031,275	\$17,681,997	\$8,940,247

**Principal Taxpayers**

The following represents the principal taxpayers, type of property, and their taxable assessed values as of the Appraisal District’s most recent supplement to the 2018 appraisal roll:

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll	Percent of 2018 Roll
HW 589 Holdings LLC (a)	Land & Improvements	5,556,438	8.544%
Newmark Homes Houston LLC (b)	Land, Improvements & Personal	1,600,208	2.461%
MHI Partnership LTD (b)	Land, Improvements & Personal	1,319,517	2.029%
Sitterle Homes-Houston LLC (b)	Land & Improvements	1,292,220	1.987%
Perry Homes LLC (b)	Land, Improvements & Personal	1,196,831	1.840%
Weekley Homes LLC (b)	Land & Improvements	894,540	1.376%
Westin Homes & Properties LP (b)	Land & Improvements	861,190	1.324%
Lennar Homes of Texas LTD (b)	Land & Improvements	657,340	1.011%
Highland Homes-Houston LLC (b)	Land & Improvements	589,020	0.906%
Homeowner	Land & Improvements	489,840	0.753%
Total		\$14,457,144	22.231%

(a) See “THE DEVELOPER.”

(b) See “STATUS OF DEVELOPMENT – Homebuilders Active within the District.”

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the District’s taxable assessed valuation as of January 1, 2018 (\$65,031,275), the preliminary valuation as of January 1, 2019 (\$146,421,306), and the District’s estimated valuation as of May 1, 2019 (\$167,911,306). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2020–2044)	\$902,749
Tax Rate of \$1.47 on the 2018 Taxable Assessed Valuation produces	\$908,162
Tax Rate of \$0.65 on the 2019 Preliminary Valuation produces	\$904,152
Tax Rate of \$0.57 on the Estimate of Value as of May 1, 2019, produces	\$909,240
Maximum Annual Debt Service Requirement (2043)	\$982,500
Tax Rate of \$1.60 on the 2018 Taxable Assessed Valuation produces	\$988,475
Tax Rate of \$0.71 on the 2019 Preliminary Valuation produces	\$987,612
Tax Rate of \$0.62 on the Estimate of Value as of May 1, 2019, produces	\$988,998

**Estimated Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon

the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2018 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2018 Tax Rate</u>
The District	\$1.000000
Fort Bend County	0.445000
Fort Bend County Drainage District	0.019000
Lamar Consolidated Independent School District	1.390000
Fort Bend County Levee Improvement District No. 6	<u>0.500000</u>
Estimated Total Tax Rate	\$3.354000

## THE DISTRICT

### General

The District is a municipal utility district created by an order of the TCEQ, dated November 13, 2014, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the TCEQ, and, except for a small 30-foot strip of land (a utility easement) in the District that is within the city limits of the City, lies wholly within the extraterritorial jurisdiction of the City.

The District is empowered, among other things, to finance, purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See “THE BONDS – Issuance of Additional Debt,” “– Financing Recreational Facilities,” and “– Financing Road Facilities.”

The District is required to obtain certain TCEQ approvals prior to acquiring, constructing and financing road and firefighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District’s drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See “THE UTILITY SYSTEM.”

### Description

Upon its creation, the District encompassed an area of approximately 577.89 acres. Following one subsequent annexation in May of 2016, the District currently encompasses approximately 589.14 acres. The District is located wholly within Fort Bend County, Texas, approximately 25 miles southwest of the City of Houston, Texas, and approximately 2 miles south of the City. The District is located primarily within the extraterritorial jurisdiction of the City and entirely within the boundaries of the Lamar Consolidated Independent School District.

## Strategic Partnership Agreement with the City of Richmond

The District and the City have entered into a Strategic Partnership Agreement dated effective June 15, 2015 (the “SPA”), pursuant to Chapter 43 of the Texas Local Government Code. The SPA establishes terms and provisions for the potential future limited purpose and full purpose annexation of the District by the City. Under an annexation for limited purposes, the SPA generally provides that the City may annex property in the District associated with commercial development and impose a sales and use tax thereon. Under an annexation for full purposes, the City assumes all rights, powers, and obligations (including the Bonds) of the District, the District is dissolved, and all property within the District is made part of the City. The SPA provides that the City will not annex the District for full purposes until such time as (i) ninety percent (90%) of the Utility System, Park System, and Road System to serve property in the District has been constructed and (ii) the District has reimbursed the Developer for such facilities to the maximum extent permitted by the rules of the TCEQ or the City assumes the District’s obligation to reimburse the Developer under such rules. The procedures for full-purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See “THE BONDS – Annexation.”

### Management of the District

The District is governed by the Board, which consists of five directors and has control and management supervision over all affairs of the District. All of the directors currently own property in the District. Directors are elected in May of even-numbered years for four-year staggered terms. The present members and officers of the Board and their positions are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Winston McKnight	President	May 2020
Gina Torres	Vice President	May 2022
Diana Etzler	Assistant Vice President	May 2020
Sandra Thompson	Secretary	May 2020
Gary Gillen	Assistant Secretary	May 2022

The District has contracted with the following companies to operate its facilities and perform certain other services:

*Tax Assessor/Collector:* The District’s tax assessor/collector is Tax Tech, Inc. (the “Tax Assessor/Collector”). Such firm serves more than 100 utility districts. The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

*Bookkeeper:* The District’s bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for more than 100 utility districts.

*Operator:* The City serves as operator of the Utility System pursuant to that Water Supply and Wastewater Services Contract described herein under “THE UTILITY SYSTEM.”

*Auditor:* The District engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to perform an audit of its financial statements for the fiscal year ended July 31, 2018. Such financial statements are attached as “APPENDIX A” to this Official Statement.

*Engineer:* The District has engaged Costello, Inc. (the “Engineer”) to perform engineering services for the design and construction of the Utility System, Road System, and other District facilities.

*Bond Counsel and General Counsel:* Schwartz, Page & Harding, L.L.P. (“Bond Counsel”) serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the

Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

*Disclosure Counsel:* Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District for issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

*Financial Advisor:* Robert W. Baird & Co. Incorporated serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

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## STATUS OF DEVELOPMENT

### Status of Development

The District is being developed as the master-planned residential community known as Veranda. To date, approximately 944 single-family lots have been developed within the following single-family residential subdivisions: Veranda, Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 24, and 26. As of June 1, 2019, development within the District consisted of approximately 461 completed homes (approximately 399 occupied, 52 unoccupied, and 10 model homes), approximately 75 homes under construction, and approximately 408 vacant, developed lots. In addition, approximately 29 single-family lots are currently under construction for the development of Veranda, Section 12. The single-family residential subdivisions referenced above encompass approximately 317.24 total acres. The remainder of the lands within the District consists of approximately 4.98 acres for a recreation center, approximately 68.80 undevelopable acres, and approximately 198.12 acres that are available for additional development.

The table below summarizes the development within the District as of June 1, 2019.

Veranda	Acreage	Section Lots	Homes Completed	Homes Construction	Vacant Lots
Section 1	10.06	12	10	0	2
Section 2	19.70	28	10	1	17
Section 3	15.68	49	46	3	0
Section 4	15.53	40	40	0	0
Section 5	18.47	61	61	0	0
Section 6	7.35	48	44	0	4
Section 7	22.15	60	57	3	0
Section 8	9.76	30	10	1	19
Section 9	28.84	58	33	8	17
Section 11	6.16	28	24	1	3
Section 12	21.58	29	0	3	26
Section 14	6.73	29	29	0	0
Section 15	5.26	26	8	12	6
Section 16	4.39	44	16	14	14
Section 17	9.66	48	0	0	48
Section 18	12.39	55	53	0	2
Section 19	7.95	38	12	17	9
Section 20	8.48	29	2	11	16
Section 21	14.10	39	6	0	33
Section 22	12.68	42	0	1	41
Section 24	20.43	83	0	0	83
Section 26	<u>18.69</u>	<u>68</u>	<u>0</u>	<u>0</u>	<u>68</u>
Total Residential Developed	296.04	944	461	75	408
Residential Under Construction	21.20				
Recreation Center	4.98				
Undevelopable	68.80				
Remaining Developable	<u>198.12</u>				
District Total	589.14				

### Homebuilders Active within the District

Homebuilders active within the District include Coventry Homes, David Weekley Homes, Highland Homes, Lennar Homes, Newmark Homes, Perry Homes, Sitterle Homes, and Westin Homes. New homes being constructed in the District range in price from \$185,000 to \$575,000 and in size from 1,450 to over 3,200 square feet.

**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(June 2019)**



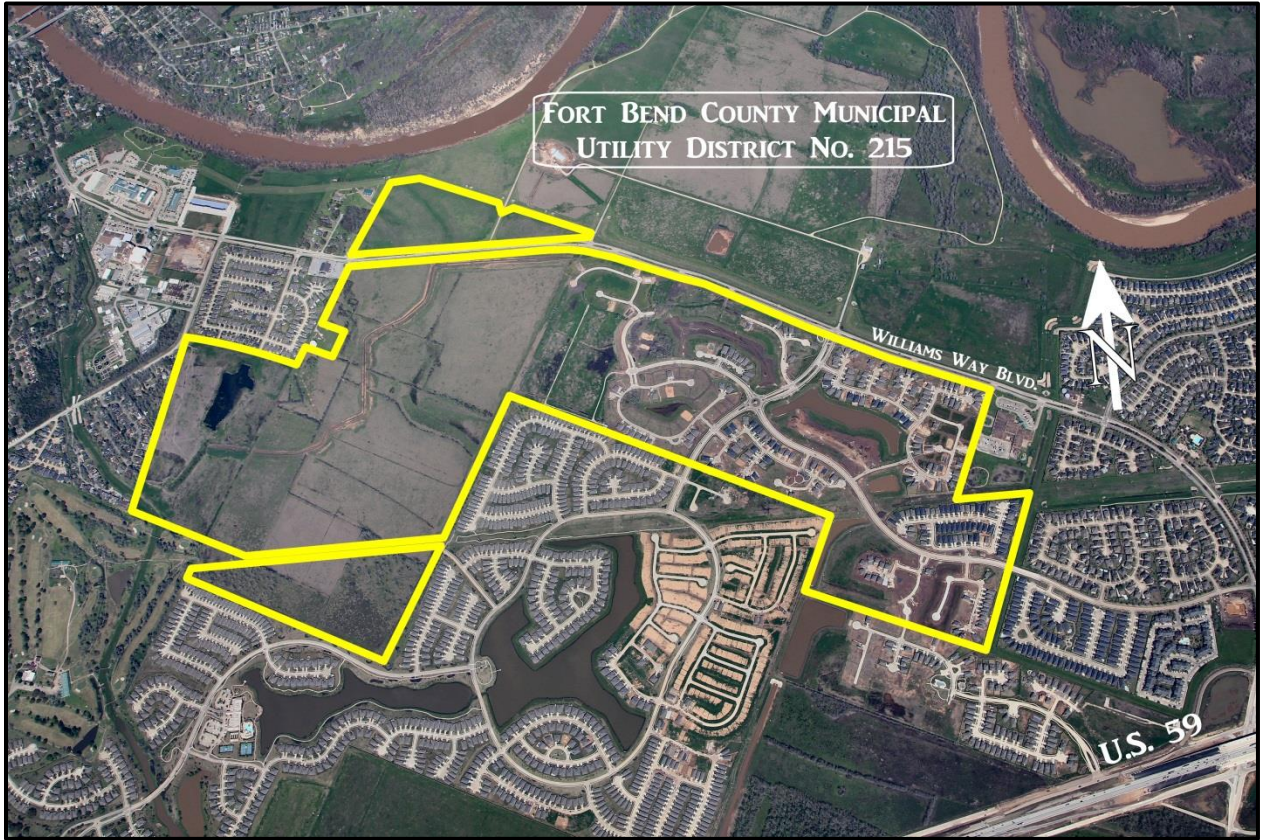
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(June 2019)





**AERIAL PHOTOGRAPH OF THE DISTRICT**  
**(March 2018)**



## THE DEVELOPER

### The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the utilities and streets to be constructed in the community, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone and electric service) and selling commercial reserves to builders, developers, or other third parties. In certain instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage and recreational facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of its property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

### Description

HW 589 Holdings LLC, a Delaware limited liability company (the "Developer"), is the developer of land in the District. The Developer is an affiliate of The Johnson Development Corp. ("JDC").

Established in 1975, JDC is a leading land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in over 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks, office buildings, retail centers, championship golf courses, and residential communities. In Texas, in addition to Veranda, JDC is responsible for the development of master-planned communities including Riverstone, Sienna Plantation, Cross Creek Ranch, Harvest Green, Imperial, Fall Creek, Tuscan Lakes, Edgewater, Woodforest, Harmony, Grand Central Park, Willow Creek Farms, Trinity Falls, and Viridian.

### Lot-Sales Contracts

The Developer has entered into lot-sales contracts with each of Highland Homes, Lennar Homes of Texas, MHI Homes, Newmark Homes, Perry Homes, Sitterle Homes, Weekley Homes, and Westin Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer's sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, currently, approximately \$1,269,037. According to the Developer, each of the builders is in compliance with their respective lot-sales contract. As of May 31, 2019, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
Highland Homes	56	46
Lennar Homes	275	189
MHI Homes	67	67
Newmark Homes	133	99
Perry Homes	183	141
Sitterle Homes	60	50
Weekley Homes	73	64
Westin Homes	<u>82</u>	<u>48</u>
Totals	929	704

## **Development Financing**

On November 12, 2015, the Developer obtained a development loan from Trustmark Bank. On November 12, 2018, the loan was amended, and, as amended, the loan matures on November 12, 2021. The loan is secured by 577.24 acres of land within the District. The loan has a maximum principal balance of \$20,000,000, and, as of May 31, 2019, the outstanding balance was \$9,553,837. According to the Developer, it is in compliance with all material conditions of the loan.

## **THE UTILITY SYSTEM**

### **Contract with City of Richmond**

The District receives water and wastewater services through contractual agreement with the City. Effective May 19, 2014, The Henderson-Wessendorff Foundation, a Texas non-profit corporation and predecessor to the Developer in title to the lands of the District, entered into that certain Water Supply and Wastewater Services Contract (“Contract”) with the City on behalf of itself and the District. The Contract was assigned to the District on March 17, 2015, and sets out the terms and provisions relative to the provision of water supply, wastewater treatment, and other services from the City to serve the District, as more fully described below.

### **Water Supply**

The City supplies water to the District through facilities owned and operated by the City. Under the Contract, the City has constructed a water plant (named the “Edgar Water Plant” in the Contract) from which it delivers wholesale water to connection points on the District’s internal water supply system, and the District payed its pro rata share of the costs to construct the Edgar Water Plant based on the District’s reserved capacity in the plant as a proportion of the plant’s total capacity.

The Contract stipulates that the Edgar Water Plant was to be constructed in two phases, both of which have since been completed, in order to provide ultimate capacity sufficient to serve 5,000 equivalent single-family connections (“esfc”). By execution of the Contract, the District reserved 1,550 esfc of such capacity.

### **Wastewater**

Wastewater treatment for the District is provided by the City under the terms and provisions of the Contract. The City’s current wastewater facilities have adequate capacity to service ultimate build out in the District, and, under the Contract, the District reserved 1,550 esfc of such capacity and agreed to pay the City the then-current connection fees for permanent capacity in the wastewater treatment plant prior to final plat recordation in accordance with the City’s ordinance, rule, or regulation regarding such connection fee.

### **Drainage**

The area of Fort Bend County, Texas, in and around the District is generally flat. Storm water in the District drains to a series of detention ponds and ditches, which were constructed by Fort Bend County Levee Improvement District No. 6, that outfall to Rabbs Bayou and then to the Brazos River. The subdivisions within the District are drained by curb and gutter to an underground storm sewer system. The storm sewer system drains to a collection of detention ponds that outfall to Rabbs Bayou. See “Flood Protection” below.

### **Regulation**

According to the Engineer, the water and sanitary sewer facilities to be acquired and or constructed by the District will be designed and constructed in accordance with accepted engineering practices and recommendations and requirements of the City, the Texas Department of Health, and the TCEQ. Construction and operation of the facilities are subject to inspection and regulation by the City, TCEQ, the EPA, and other governmental agencies. According to the Engineer, District improvements financed with the proceeds of the Bonds have been approved by all required regulatory agencies and have been constructed in compliance with applicable standards and specifications.

### **Fort Bend Subsidence District**

As noted above, the District obtains its water supply from facilities owned and operated by the City. The City’s authority to pump groundwater is subject to an annual permit issued by the Fort Bend Subsidence

District (the “Subsidence District”). The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the City and the District. The Subsidence District’s regulations required the City, individually or collectively with other water users, to prepare a groundwater reduction plan (“GRP”) and obtain certification of the GRP from the Subsidence District by the applicable water well permit expiration date in the year 2010. The City has prepared its GRP and obtained the required certification from the Subsidence District. By execution of the Contract, the District has agreed to be part of the City’s GRP and to pay certain associated costs, and the imposition of a monthly fee charged to the customers of the District by the City based on the volume of water supplied to such customers each month.

The Subsidence District’s regulations further require the City individually or collectively with other water users to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2016; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning October 2025.

If the City fails to comply with the above Subsidence District regulations, the City will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand. If the District failed to comply with surface water conversion requirements mandated by the City, the District would be subject to monetary or other penalties imposed by the City.

### **Flood Protection**

All of the land in the District lies within Fort Bend County Levee Improvement District No. 6 (“LID 6”), which encompasses approximately 1,522 total acres of land. LID 6 has constructed and operates levee and drainage improvements to serve lands within its boundaries, including the District, and finances such facilities with the proceeds of unlimited tax bonds. To date, LID 6 has issued seven series of unlimited tax bonds of which \$27,560,000 principal amount remains outstanding as of June 1, 2019.

Construction and operation of the levee and drainage system serving the land in the District as it now exists may be expanded from time to time by and is subject to the regulatory jurisdiction of federal, state, and local authorities. Construction of drainage facilities is also subject to the regulatory authority of the Fort Bend County Drainage District and plans are reviewed and approved by the City. The Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Maps dated April 2, 2014, indicate that all of the developable property within the District lies outside the 100-year flood plain due to the perimeter levee system constructed by LID 6, which removed the District from the flood plain.

LID 6’s levee and drainage system has been designed and constructed to all current standards. However, while the District has never experienced structural flooding or other material damage as a result of any of the following, the levee system does not protect against all flooding scenarios and flooding could occur in the District as a result of 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system, or 3) localized rainfall in excess of the 100-year event.

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 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 and current Fort Bend County regulations require an additional 1 foot of height above FEMA minimum requirements.

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 a flood state of less than the 100-year event. In order to mitigate the risk, LID 6 performs weekly inspections of the levee to observe any visible damage or deterioration of the levee that is in need of repair. Repairs of damage or deterioration are addressed through active maintenance and inspection by LID 6 to identify and correct any deficiencies.

The District could experience flooding if a localized rainfall event in excess of the 100-year event were to happen within the District. The statistical chance of this happening is 1% in any given year, with this risk being independent of the levee system.

## **THE ROAD SYSTEM**

The District is primarily served by one major thoroughfare, Richmond Parkway (formerly known as Williams Way Boulevard), and several collector roads, including Wildwood Park Road and Veranda Trails Parkway. The internal subdivision streets direct residents to Wildwood Park Road and Veranda Trails Parkway, each of which connects to Richmond Parkway (formerly known as Williams Way Boulevard), which then connects and provides access to Highway 59.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal of and interest on, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold, and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Legal Review**

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT - General," "- Strategic Partnership Agreement with the City of Richmond," "- Management of the District - Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm 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 such firm'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 of the other information contained herein.

## **Tax Exemption**

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

## **Not Qualified Tax-Exempt Obligations**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

## **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred

or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

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

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrued period or is in excess of one year (the “Original Issue Discount Bonds”). The difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See “Tax Exemption” herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption,



sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM 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 subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

#### **NO-LITIGATION CERTIFICATE**

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

#### **CONTINUING DISCLOSURE OF INFORMATION**

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



## **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The financial information and operating data which will be provided with respect to the District is found under the headings "DISTRICT DEBT," "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available. The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

## **Material 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (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 District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or 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 the financial obligation of the District or obligated person, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information from MSRB**

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

## **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or the Developers, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **Compliance with Prior Undertakings**

In connection with issuance of the Outstanding Bonds in 2018, the District entered into continuing disclosure agreements pursuant to SEC Rule 15c2-12. The District has complied in all material respects with such agreements.

## **GENERAL CONSIDERATIONS**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, orders and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's financial statements for the fiscal year ended July 31, 2018, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement. The District did not request McCall Gibson Swedlund Barfoot PLLC to perform any updating procedures subsequent to the date of its audit report on the July 31, 2018 financial statements.

### **Updating of Official Statement**

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the SEC), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading,

the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

**Certification as to Official Statement**

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

**Concluding Statement**

The information set forth herein has been obtained from the District’s records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 215 as of the date shown on the first page hereof.

/s/ Winston McKnight  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 215

ATTEST:

/s/ Sandra Thompson  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 215

**APPENDIX A**  
**Financial Statements of the District**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2018**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**

Certified Public Accountants

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	30
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-33
GENERAL FUND EXPENDITURES	34
TAXES LEVIED AND RECEIVABLE	35-36
LONG-TERM DEBT SERVICE REQUIREMENTS	37
CHANGES IN LONG-TERM BOND DEBT	38-39
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - THREE YEARS	40-43
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	44-45

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fort Bend County Municipal Utility District No. 215  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 215 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

October 16, 2018



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

Management’s discussion and analysis of Fort Bend County Municipal Utility District No. 215’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended July 31, 2018.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for property tax revenues, connection fees, operating costs and administrative expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$2,539,218 as of July 31, 2018. A portion of the District's net position reflects its net investment in capital assets (water, wastewater, drainage and road infrastructure, less any debt used to acquire those assets that is still outstanding).

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 907,322	\$ 110,569	\$ 796,753
Capital Assets (Net of Accumulated Depreciation)	13,295,292	6,956,096	6,339,196
Total Assets	<u>\$ 14,202,614</u>	<u>\$ 7,066,665</u>	<u>\$ 7,135,949</u>
Due to Landowner/Developer	\$ 9,675,614	\$ 8,473,047	\$ (1,202,567)
Bonds Payable	6,965,383		(6,965,383)
Other Liabilities	100,835	16,975	(83,860)
Total Liabilities	<u>\$ 16,741,832</u>	<u>\$ 8,490,022</u>	<u>\$ (8,251,810)</u>
Net Position:			
Net Investment in Capital Assets	\$ (3,084,500)	\$ (1,286,261)	\$ (1,798,239)
Restricted	324,242		324,242
Unrestricted	221,040	(137,096)	358,136
Total Net Position	<u>\$ (2,539,218)</u>	<u>\$ (1,423,357)</u>	<u>\$ (1,115,861)</u>

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 176,820	\$ 89,402	\$ 87,418
Tap, Inspection and Other Fees	461,040	172,226	288,814
Miscellaneous Revenues	1,042	127	915
Total Revenues	<u>\$ 638,902</u>	<u>\$ 261,755</u>	<u>\$ 377,147</u>
Total Expenses	<u>1,754,763</u>	<u>376,858</u>	<u>(1,377,905)</u>
Change in Net Position	\$ (1,115,861)	\$ (115,103)	\$ (1,000,758)
Net Position, Beginning of Year	<u>(1,423,357)</u>	<u>(1,308,254)</u>	<u>(115,103)</u>
Net Position, End of Year	<u>\$ (2,539,218)</u>	<u>\$ (1,423,357)</u>	<u>\$ (1,115,861)</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of July 31, 2018, were \$858,482, an increase of \$764,888 from the prior year.

The General Fund fund balance increased by \$177,219, primarily due to property tax revenues exceeding operating and administrative expenditures.

The Debt Service Fund was created during the current fiscal year with capitalized interest from the Series 2018 bonds and had a fund balance of \$376,464 at year-end.

The Capital Projects Fund was created during the current fiscal year with proceeds from the Series 2017 Bond Anticipation Note and had a fund balance of \$211,205 at year-end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year ended July 31, 2018. Actual revenues were \$350,735 more than budgeted, primarily due to the collection of higher than anticipated tap and connection fees during the year as a result of growth within the District. Actual expenditures were \$294,566 more than budgeted expenditures, primarily due to higher than anticipated costs paid to the City of Richmond as a result of growth within the District.

**CAPITAL ASSETS**

The District's capital assets as of July 31, 2018, total \$13,295,292 (net of accumulated depreciation) and include the District's capacity interest in the City of Richmond's facilities as well as water, sewer, drainage and road infrastructure and as well as landscaping. Current year capital asset additions included landscaping, utilities and/or road infrastructure serving Veranda Trails Parkway, Wildwood Park Drive, Veranda Phase 1 Parkway, and Veranda, Sections 1, 6, 9, 14, 15, 16, 18, 19 and 20.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Water System	\$ 3,737,524	3,154,849	582,675
Wastewater System	2,519,634	1,791,445	728,189
Drainage System	2,866,167	2,009,802	856,365
Roads	3,832,856		3,832,856
Landscaping	339,111		339,111
<b>Total Net Capital Assets</b>	<b>\$ 13,295,292</b>	<b>\$ 6,956,096</b>	<b>\$ 6,339,196</b>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**LONG-TERM DEBT ACTIVITY**

At the end of the current year, the District had total bond debt payable of \$7,025,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ -0-
Add: Bond Sale - Series 2018	<u>7,025,000</u>
Bond Debt Payable, July 31, 2018	<u><u>\$ 7,025,000</u></u>

The District's Series 2018 bonds are not rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 215, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056-3012.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCES SHEET**  
**JULY 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 288,349	\$ 386,917
Receivables:		
Property Taxes	227	
Penalty and Interest on Delinquent Taxes		
Prepaid Costs	3,090	
Due from Other Governmental Units	16,710	
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 308,376</b>	<b>\$ 386,917</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 211,988	\$ 887,254	\$	\$ 887,254
	227		227
	3,090	41	41
	16,710		3,090
			16,710
		<u>13,295,292</u>	<u>13,295,292</u>
<u>\$ 211,988</u>	<u>\$ 907,281</u>	<u>\$ 13,295,333</u>	<u>\$ 14,202,614</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 37,151	\$
Accrued Interest Payable		
Due to Landowner/Developer		
Due to Taxpayers	185	
Accrued Interest at Time of Sale		10,453
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	\$ 37,336	\$ 10,453
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 227	\$ -0-
 <b>FUND BALANCES</b>		
Nonspendable: Prepaid Costs	\$ 3,090	\$
Restricted for Authorized Construction		
Restricted for Debt Service		376,464
Unassigned	267,723	
<b>TOTAL FUND BALANCES</b>	\$ 270,813	\$ 376,464
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 308,376	\$ 386,917
 <b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 783	\$ 37,934	\$	\$ 37,934
		62,716	62,716
		9,675,614	9,675,614
	185		185
	10,453	(10,453)	
		6,965,383	6,965,383
<u>\$ 783</u>	<u>\$ 48,572</u>	<u>\$ 16,693,260</u>	<u>\$ 16,741,832</u>
<u>\$ -0-</u>	<u>\$ 227</u>	<u>\$ (227)</u>	<u>\$ -0-</u>
\$ 211,205	\$ 3,090	\$ (3,090)	\$
	211,205	(211,205)	
	376,464	(376,464)	
	267,723	(267,723)	
<u>\$ 211,205</u>	<u>\$ 858,482</u>	<u>\$ (858,482)</u>	<u>\$ -0-</u>
<u>\$ 211,988</u>	<u>\$ 907,281</u>		
		\$ (3,084,500)	\$ (3,084,500)
		324,242	324,242
		221,040	221,040
		<u>\$ (2,539,218)</u>	<u>\$ (2,539,218)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JULY 31, 2018**

Total Fund Balances - Governmental Funds	\$	858,482
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		13,295,292
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 tax levy became part of recognized revenue in the governmental activities of the District.		268
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of the following:

Accrued Interest Payable	(52,263)	
Due to Developer/Landowner	(9,675,614)	
Bonds Payable	<u>(6,965,383)</u>	<u>(16,693,260)</u>

Total Net Position - Governmental Activities	\$	<u>(2,539,218)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 176,593	\$
Garbage Service	13,692	
Penalty and Interest	522	
Tap, Inspection, and Other Fees	446,785	
Miscellaneous Revenues	643	204
<b>TOTAL REVENUES</b>	<b>\$ 638,235</b>	<b>\$ 204</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 87,310	\$
Contracted Services	45,181	
City of Richmond Operations Fee	246,994	
Repairs and Maintenance	51,391	
Depreciation		
Other	30,140	36
Capital Outlay		
Debt Service:		
Bond Anticipation Note and Bond Interest		
Bond/Bond Anticipation Note Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 461,016</b>	<b>\$ 36</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ 177,219</b>	<b>\$ 168</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$	\$ 376,296
Bond Discount		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 376,296</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 177,219</b>	<b>\$ 376,464</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - AUGUST 1, 2017</b>	<b>93,594</b>	
<b>FUND BALANCES/NET POSITION - JULY 31, 2018</b>	<b>\$ 270,813</b>	<b>\$ 376,464</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 176,593	\$ 227	\$ 176,820
	13,692		13,692
	522	41	563
	446,785		446,785
195	1,042		1,042
<u>\$ 195</u>	<u>\$ 638,634</u>	<u>\$ 268</u>	<u>\$ 638,902</u>
\$ 10,292	\$ 97,602	\$ 140,798	\$ 238,400
	45,181		45,181
	246,994		246,994
	51,391		51,391
		347,352	347,352
245	30,421	18,010	48,431
5,642,788	5,642,788	(5,642,788)	
67,469	67,469	52,757	120,226
656,788	656,788		656,788
<u>\$ 6,377,582</u>	<u>\$ 6,838,634</u>	<u>\$ (5,083,871)</u>	<u>\$ 1,754,763</u>
<u>\$ (6,377,387)</u>	<u>\$ (6,200,000)</u>	<u>\$ 5,084,139</u>	<u>\$ (1,115,861)</u>
\$ 6,648,704	\$ 7,025,000	\$ (7,025,000)	\$
(60,112)	(60,112)	60,112	
<u>\$ 6,588,592</u>	<u>\$ 6,964,888</u>	<u>\$ (6,964,888)</u>	<u>\$ -0-</u>
\$ 211,205	\$ 764,888	\$ (764,888)	\$
		(1,115,861)	(1,115,861)
	93,594	(1,516,951)	(1,423,357)
<u>\$ 211,205</u>	<u>\$ 858,482</u>	<u>\$ (3,397,700)</u>	<u>\$ (2,539,218)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 764,888
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>	227
<p>Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.</p>	41
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(347,352)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.</p>	5,483,980
<p>Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.</p>	60,112
<p>Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.</p>	(52,757)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.</p>	<u>(7,025,000)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (1,115,861)</u></u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Municipal Utility District No. 215 (the “District”) was created effective November 13, 2014, by an Order of the Texas Commission on Environmental Quality (the “Commission”). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, and to construct roads as well as parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on February 17, 2015.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements (Continued)

Governmental Fund (Continued)

General Fund - To account for property tax revenues, connection fees, operating costs and administrative expenditures.

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

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

Basis of Accounting

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

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	45
Wastewater System	45
Drainage System	45
Roads	45
Landscaping	10

Budgeting

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

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

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

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

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted balances.

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

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

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 3. LONG-TERM DEBT**

The following is a summary of transactions regarding the changes in bonds payable for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$	\$ 7,025,000	\$	\$ 7,025,000
Unamortized Discount		(60,112)	(495)	(59,617)
Bonds Payable, Net	\$ -0-	\$ 6,964,888	\$ (495)	\$ 6,965,383
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		6,965,383
		Bonds Payable, Net		\$ 6,965,383

The District's bonds payable at July 31, 2018, consists of the following bonds:

	Series 2018
Amount Outstanding – July 31, 2018	\$7,025,000
Interest Rates	2.25% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2043
Interest Payment Dates	September 1/ March 1
Callable Dates	September 1, 2023 (1)

(1) Or any date thereafter at par plus accrued interest from the most recent payment date to the date fixed for redemption. Series 2018 term bonds maturing September 1, 2025, September 1, 2033, September 1, 2036, September 1, 2038, September 1, 2040, and September 1, 2043 are subject to mandatory redemption by lot or other customary method beginning September 1, 2024, September 1, 2032, September 1, 2035, September 1, 2037, September 1, 2039, and September 1, 2041, respectively.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 3. LONG-TERM DEBT (Continued)**

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$	\$ 198,600	\$ 198,600
2020		250,864	250,864
2021	175,000	248,895	423,895
2022	180,000	244,766	424,766
2023	190,000	240,136	430,136
2024-2028	1,075,000	1,107,714	2,182,714
2029-2033	1,320,000	910,113	2,230,113
2034-2038	1,630,000	639,595	2,269,595
2039-2043	2,000,000	295,372	2,295,372
2044	455,000	9,100	464,100
	<u>\$ 7,025,000</u>	<u>\$ 4,145,155</u>	<u>\$ 11,170,155</u>

As of July 31, 2018, the District had authorized but unissued tax bonds in the amount of \$104,975,000 for utility facilities, \$18,700,000 for park bonds, \$130,700,000 for refunding purposes for utility and park bonds, \$39,000,000 for road bonds and \$39,000,000 for refunding purposes for road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended July 31, 2018, the District did not levy an ad valorem debt service tax. However, capitalized interest of \$376,296 from the proceeds of the Series 2018 bonds was deposited into the Debt Service Fund. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond order states that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information is of the general type included in the audited annual financial statements and is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond order states that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government.

In the current fiscal year, \$376,296 from the proceeds of the Series 2018 bonds was deposited into the Debt Service Fund and restricted for the payment of bond interest. No interest payments were made in the current fiscal year.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$887,254 and the bank balance was \$892,402. The District was not exposed to custodial credit risk at year-end.

	Cash
GENERAL FUND	\$ 288,349
DEBT SERVICE FUND	386,917
CAPITAL PROJECTS FUND	211,988
TOTAL DEPOSITS	\$ 887,254

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act. As of the end of the current fiscal year, the District did not have any investments.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Restrictions - All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the costs of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2018 is as follows:

	August 1, 2017	Increases	Decreases	July 31, 2018
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,296,539	\$ 663,573	\$	\$ 3,960,112
Wastewater System	1,814,386	779,116		2,593,502
Drainage System	2,039,575	915,332		2,954,907
Roads		3,979,470		3,979,470
Landscaping		349,057		349,057
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 7,150,500</b>	<b>\$ 6,686,548</b>	<b>\$ - 0 -</b>	<b>\$ 13,837,048</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 141,690	\$ 80,898	\$	\$ 222,588
Wastewater System	22,941	50,927		73,868
Drainage System	29,773	58,967		88,740
Roads		146,614		146,614
Landscaping		9,946		9,946
<b>Total Accumulated Depreciation</b>	<b>\$ 194,404</b>	<b>\$ 347,352</b>	<b>\$ - 0 -</b>	<b>\$ 541,756</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 6,956,096</b>	<b>\$ 6,339,196</b>	<b>\$ - 0 -</b>	<b>\$ 13,295,292</b>

**NOTE 7. MAINTENANCE TAX**

On May 9, 2015, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended July 31, 2018, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$176,820 on the adjusted taxable valuation of \$17,681,997 for the 2017 tax year. This maintenance tax is to be used by the District for operating, maintaining, constructing, acquiring, and repairing District facilities and for the payment of other lawful organization, general and administrative expenditures.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 7. MAINTENANCE TAX**

The District's tax calendar is as follows:

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

**NOTE 8. UNREIMBURSED COSTS**

The District has executed construction and purchase agreements with a Landowner and Developer which call for them to fund costs associated with the construction of District facilities as well as the provision of operating advances when needed. The District will pursue the issuance of bonds as a means to reimburse them for costs incurred related to these agreements. The Statement of Net Position reflects liabilities to the Developer/Landowner of \$50,000 for operating advances and \$9,625,614 for completed utility and road infrastructure projects.

**NOTE 9. WATER SUPPLY AND WASTEWATER SERVICES CONTRACT**

Effective May 19, 2014, The Henderson-Wessendorff Foundation ("Foundation"), on behalf of itself and the District, entered into a Water Supply and Wastewater Services Contract ("Contract") with the City of Richmond, Texas (the "City"). The contract was assigned to the District on March 17, 2015. The Contract outlines the terms by which the Foundation purchased capacity on behalf of the District in the City's water and wastewater treatment facilities. The District receives water and wastewater services from the City and the City, on behalf of the District, operates the District's internal water and wastewater lines. The term of the Contract is 50 years from its effective date.

Water Supply to the District

The City agrees to provide up to 1,550 ESFC (1,339,200 GPD maximum daily demand) of water capacity to the District available immediately upon substantial completion of construction of Phase I of the Edgar Water Plant. The Foundation contributed \$1,477,217 for the District's share of the design and construction of the Edgar Water Plant, Phase 1. The District also agreed to pay a share of the design and construction of Phase II of the Edgar Water Plant (estimated cost of \$450,120 to the District).



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 9. WATER SUPPLY AND WASTEWATER SERVICES CONTRACT**  
(Continued)

Water Supply to the District (Continued)

The City's charge to the District will be calculated by totaling the water for that month provided to the District's customers and invoicing at in-City rates, less any portion of the in-city rate attributable to debt service on the City water system, which rate and charges will be inclusive of any estimated amounts for flushing or other usage by the District that is not metered (such estimated amounts to be calculated as one in-City customer), provided that the City will include a calculation and explanation of charges for any estimated or non-metered usage with its monthly invoice to the District. The City will also charge the District a monthly GRP fee, equal to the GRP fee that is charged to in-City customers, for each 1,000 gallons of water used.

Wastewater Service to the District

Subject to the District's payment of the wastewater connection fees, the City agrees to provide wastewater services of up to 1,550 ESFC of wastewater to serve the District during the term of this Contract. The District is responsible for designing and constructing the necessary facilities to deliver wastewater to the City's plant. The City's charge to the District for wastewater services will be calculated by summing the total charges for that month for all of the District's customers, calculated at in-City rates, plus charges for any estimated or metered amounts for water taken that is not metered but which would flow into the District wastewater system.

Operating Service to the District

The City will act as operator for the District and will provide all operator services as outlined in the Contract. The City's invoice to the District for such operator services will be in addition to the charges to the District for water and wastewater services. The City will charge the District \$4.40 per active single-family equivalent connection plus the City's actual cost of providing all other operator services at cost plus 10%. The City will invoice the District's customers in accordance with the District's rate order.

**NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT**

Effective June 15, 2015, the District entered into a Strategic Partnership Agreement ("Agreement") with the City of Richmond, Texas (the "City"). The Agreement was amended on June 14, 2017. The Agreement provides the terms and conditions under which services will be provided and funded by the City and the District and under which portions of the District may be annexed in part for limited purposes and may eventually be annexed for general purposes.

The City will impose its sales and use tax within the commercial property of the District upon the limited purposes annexation thereof. The sales and use tax will be imposed on the receipts from the sale and use at retail of taxable items at the rate of two percent or the current City rate under future amendments. The City will rebate to the District 50% of the sales and use tax it collects from District property. Payments to the District will be made monthly not later than the 15<sup>th</sup> day following the City's receipt of funds from the State.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

The term of this agreement is 30 years from the effective date, unless terminated on an earlier date pursuant to other provisions or by express written agreement executed by the City and the District. Upon expiration of the initial term, this agreement may be extended, at the District's request, with City approval, for successive one-year periods until all land within the District has been annexed into the City.

**NOTE 11. RISK MANAGEMENT**

The District is exposed to various risks of loss and carries commercial insurance for general liability, directors and officer's liability, public employees blanket crime and director's bond. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage since inception of the District.

**NOTE 12. FIRE PROTECTION AGREEMENT**

On August 21, 2017, the District entered into a Fire Protection Agreement with the City of Richmond, Texas. On December 1, 2017, after the successful fire plan election on November 7, 2017, the City started providing fire protection services to District persons, buildings and property located within the City's extraterritorial jurisdiction. Under the terms of the agreement, the District is required to make monthly payments of (1) \$13.95 for each residential unit in the District that is connected to and receiving service from the District's water supply system; and (2) \$13.95 for each 2,000 square feet or part thereof of building floor area for every improved non-residential property located in the District that is connected to and receiving service from the District's water supply system. The District will also pay the City a \$150,000 cash contribution toward the capital cost of a new fire station. The capital contribution shall be paid in monthly installments, as collected, and funded by adding \$1.00 to the monthly charge for each residential unit or improved nonresidential property. The term of the agreement is 15 years, and is automatically renewed for successive one-year terms.

**NOTE 13. SALE OF BOND ANTICIPATION NOTE**

On September 19, 2017, the District closed on the sale of its \$4,300,000 Series 2017 Bond Anticipation Note (BAN). The District used the BAN proceeds to reimburse the Developer and Landowner for a portion of the construction and engineering costs associated with the water, wastewater, and drainage facilities serving Wildwood Park Drive and Veranda, Sections 1, 3, 4, 5, 7 and 8. Additional proceeds were used to pay for BAN issuance costs, creation costs and reimburse operating advances made by the Developer/Landowner. The BAN was redeemed with proceeds from the issuance of the Series 2018 bonds. See Note 14.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 14. BOND SALE**

On May 16, 2018, the District issued its \$7,025,000 Series 2018 Unlimited Tax Bonds. Proceeds from the bond sale were used to redeem the Series 2017 BAN and to reimburse the Developer and Landowner for a portion of the construction and engineering costs associated with the water, wastewater, and drainage facilities serving Wildwood Park Drive and Veranda, Sections 1, 3, 4, 5, 7 and 8. Additional proceeds were used to pay capitalized interest and pay for issuance costs of the BAN and bonds.

**NOTE 15. SUBSEQUENT EVENT- BOND SALE**

On September 20, 2018, the District issued its \$3,695,000 Series 2018A Unlimited Tax Road Bonds. Proceeds from the bond sale were used to reimburse the Developers for the construction and engineering costs for paving facilities to serve Veranda Trails Parkway, Wildwood Park Drive, Williams Way Boulevard and Veranda, Sections 1 and 9 collector roads. Additional proceeds were used to pay capitalized interest and pay for issuance costs of the bonds.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JULY 31, 2018**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JULY 31, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 170,000	\$ 176,593	\$ 6,593
Garbage Service		13,692	13,692
Penalty and Interest		522	522
Tap, Inspection, and Other Fees	117,500	446,785	329,285
Miscellaneous Revenues		643	643
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL REVENUES</b>	<b>\$ 287,500</b>	<b>\$ 638,235</b>	<b>\$ 350,735</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 112,000	\$ 87,310	\$ 24,690
Contracted Services	10,500	45,181	(34,681)
City of Richmond Operations Fee	27,500	246,994	(219,494)
Repairs and Maintenance		51,391	(51,391)
Other	16,450	30,140	(13,690)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 166,450</b>	<b>\$ 461,016</b>	<b>\$ (294,566)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 121,050</b>	<b>\$ 177,219</b>	<b>\$ 56,169</b>
<b>FUND BALANCE - AUGUST 1, 2017</b>	<u>93,594</u>	<u>93,594</u>	<u>                    </u>
<b>FUND BALANCE - JULY 31, 2018</b>	<u><u>\$ 214,644</u></u>	<u><u>\$ 270,813</u></u>	<u><u>\$ 56,169</u></u>

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**

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

**JULY 31, 2018**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

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

The District has a Water Supply and Wastewater Services Contract in place with the City of Richmond, Texas. The Contract outlines the terms by which the District will purchase capacity in the City's water and wastewater treatment facilities. In addition, the District will receive water and wastewater services from the City and the City will operate the District's internal water and wastewater lines.

**2. RETAIL SERVICE PROVIDERS:**

**RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order approved and effective July 17, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 25.00*	2,000	N	\$ 2.62 \$ 2.87 \$ 3.12 \$ 3.37 \$ 3.62 \$ 3.87	2,001 to 5,000 5,001 to 10,000 10,001 to 20,000 20,001 to 50,000 50,001 to 75,000 75,001 and up
WASTEWATER:	\$ 20.00	2,000	N	\$ 3.00	2,001 and up
SURCHARGE:					
Groundwater Reduction Fees			N	\$ 2.20	Each 1,000
Fire Protection Services	\$ 14.95		Y		
Garbage Services	\$ 17.30		Y		

District employs winter averaging for wastewater usage? \_\_\_\_\_   X    
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$47.21 Wastewater: \$ 44.00 Surcharge: \$ 54.25 Total: \$145.46

\* includes \$10.00 Administrative Fee

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR  
ROUNDED TO THE NEAREST THOUSAND: NOT APPLICABLE**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely  Partly  Not at all

ETJ in which District is located:

City of Richmond, Texas.

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 9,500
Engineering	12,485
Legal	<u>65,325</u>
TOTAL PROFESSIONAL FEES	<u>\$ 87,310</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 1,925
Bookkeeping	11,850
Tax Collector	<u>10,589</u>
TOTAL CONTRACTED SERVICES	<u>\$ 24,364</u>
REPAIRS AND MAINTENANCE	<u>\$ 51,391</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,750
Election Costs	13,972
Insurance	3,127
Legal Notices	65
Office Supplies and Postage	2,106
Payroll Taxes	424
Other	<u>3,696</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 30,140</u>
SOLID WASTE DISPOSAL	<u>\$ 20,817</u>
OTHER EXPENDITURES:	
City of Richmond Operations Fee	<u>\$ 246,994</u>
TOTAL EXPENDITURES	<u><u>\$ 461,016</u></u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	Maintenance Taxes	
TAXES RECEIVABLE - AUGUST 1, 2017	\$ -0-	
Adjustments to Beginning Balance	_____	\$ -0-
Original 2017 Tax Levy	\$ 176,827	
Adjustment to 2017 Tax Levy	_____ (7)	176,820
TOTAL TO BE ACCOUNTED FOR		\$ 176,820
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	176,593	176,593
TAXES RECEIVABLE - JULY 31, 2018		\$ 227
TAXES RECEIVABLE BY YEAR:		
2017		\$ 227

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	2017	2016
PROPERTY VALUATIONS:		
Land	\$ 17,694,270	\$ 8,995,780
Improvements	1,030	890
Exemptions	(13,303)	(56,423)
TOTAL PROPERTY VALUATIONS	\$ 17,681,997	\$ 8,940,247
TAX RATES PER \$100 VALUATION:		
Maintenance Tax	\$ 1.00	\$ 1.00
ADJUSTED TAX LEVY*	\$ 176,820	\$ 89,402
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.87 %	100.00 %

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

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation was approved by voters on May 9, 2015.

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2018**

S E R I E S - 2 0 1 8

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$	\$ 198,600	\$ 198,600
2020		250,864	250,864
2021	175,000	248,895	423,895
2022	180,000	244,766	424,766
2023	190,000	240,136	430,136
2024	195,000	234,498	429,498
2025	205,000	228,254	433,254
2026	215,000	221,954	436,954
2027	225,000	215,185	440,185
2028	235,000	207,823	442,823
2029	240,000	199,984	439,984
2030	255,000	191,629	446,629
2031	265,000	182,656	447,656
2032	275,000	173,069	448,069
2033	285,000	162,775	447,775
2034	300,000	151,806	451,806
2035	310,000	140,369	450,369
2036	325,000	128,463	453,463
2037	340,000	115,994	455,994
2038	355,000	102,963	457,963
2039	365,000	89,463	454,463
2040	385,000	75,159	460,159
2041	400,000	59,950	459,950
2042	415,000	43,900	458,900
2043	435,000	26,900	461,900
2044	455,000	9,100	464,100
	<u>\$ 7,025,000</u>	<u>\$ 4,145,155</u>	<u>\$ 11,170,155</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017	
Fort Bend County Municipal Utility District No. 215 Unlimited Tax Bonds - Series 2018	<u>\$ 7,025,000</u>	<u>\$ -0-</u>	
Bond Authority:	<u>Utility Bonds</u>	<u>Park Bonds</u>	<u>Road Bonds</u>
Amount Authorized by Voters	\$ 112,000,000	\$ 18,700,000	\$ 39,000,000
Amount Issued	<u>7,025,000</u>	<u>                    </u>	<u>                    </u>
Remaining to be Issued	<u>\$ 104,975,000</u>	<u>\$ 18,700,000</u>	<u>\$ 39,000,000</u>
Debt Service Fund cash balances as of July 31, 2018:		<u>\$ 386,917</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 429,621</u>	

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

See accompanying independent auditor's report.



<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ 7,025,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 7,025,000</u>	Amegy Bank Houston, TX
<u>Refunding Bonds for Utility and Park Bonds</u>	<u>Refunding Bonds for Road Bonds</u>			
\$ 130,700,000	\$ 39,000,000			
<u>\$ 130,700,000</u>	<u>\$ 39,000,000</u>			

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - THREE YEARS**

	Amounts	
	2018	2017
<b>REVENUES</b>		
Property Taxes	\$ 176,593	\$ 89,402
Garbage Service	13,692	
Penalty and Interest	522	
Tap, Inspection, and Other Fees	446,785	172,226
Miscellaneous Revenues	643	127
<b>TOTAL REVENUES</b>	<b>\$ 638,235</b>	<b>\$ 261,755</b>
<b>EXPENDITURES</b>		
Professional Fees	\$ 87,310	\$ 149,889
Contracted Services	45,181	26,228
City of Richmond Operations Fee	246,994	71,496
Repairs and Maintenance	51,391	
Other	30,140	13,290
Capital Outlay		
<b>TOTAL EXPENDITURES</b>	<b>\$ 461,016</b>	<b>\$ 260,903</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 177,219</b>	<b>\$ 852</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating and Capital Advances	\$ -0-	\$ 80,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 177,219</b>	<b>\$ 80,852</b>
<b>BEGINNING FUND BALANCE</b>	93,594	12,742
<b>ENDING FUND BALANCE</b>	<b>\$ 270,813</b>	<b>\$ 93,594</b>

See accompanying independent auditor's report.

	Percentage of Total Revenues		
<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$	27.7 %	34.2 %	%
	2.1		
	0.1		
	70.0	65.8	
<u>53</u>	<u>0.1</u>		<u>100.0</u>
\$ <u>53</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 101,279	13.7 %	57.3 %	191,092.5 %
5,275	7.1	10.0	9,952.8
	38.7	27.3	
	8.1		
11,734	4.7	5.1	22,139.6
<u>1,458,256</u>			<u>2,751,426.5</u>
\$ <u>1,576,544</u>	<u>72.3 %</u>	<u>99.7 %</u>	<u>2,974,611.4 %</u>
\$ <u>(1,576,491)</u>	<u>27.7 %</u>	<u>0.3 %</u>	<u>(2,974,511.4) %</u>
\$ <u>1,573,946</u>			
\$ (2,545)			
<u>15,287</u>			
\$ <u>12,742</u>			

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - THREE YEARS**

	Amounts	
	2018	2017
<b>REVENUES</b>		
Miscellaneous Revenues	\$ 204	\$ -0-
<b>EXPENDITURES</b>		
Tax Collection and Miscellaneous	\$ 36	\$ -0-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	\$ 168	\$ -0-
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Issuance of Long-Term Debt	\$ 376,296	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	\$ 376,464	\$ -0-
<b>BEGINNING FUND BALANCE</b>	_____	_____
<b>ENDING FUND BALANCE</b>	\$ 376,464	\$ -0-
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	N/A	N/A
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	N/A	N/A

See accompanying independent auditor's report.

	Percentage of Total Revenues			
<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
\$ <u>-0-</u>	<u>100.0</u> %	_____ %	_____ %	_____ %
\$ <u>-0-</u>	<u>17.6</u> %	_____ %	_____ %	_____ %
\$ <u>-0-</u>	<u>82.4</u> %	<u>N/A</u> %	<u>N/A</u> %	<u>N/A</u> %
\$ <u>-0-</u>				
\$ <u>-0-</u>				
<u>\$ <u>-0-</u></u>				
<u>N/A</u>				
<u>N/A</u>				

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
JULY 31, 2018**

District Mailing Address - Fort Bend County Municipal Utility District No. 215  
c/o Schwartz Page & Harding, L.L.P.  
1300 Post Oak Blvd., Suite 1400  
Houston, TX 77056-3012

District Telephone Number - (713) 623-4531

<b>Board Members:</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>July 31, 2018</u>	Expense Reimbursements for the year ended <u>July 31, 2018</u>	<u>Title</u>
Winston McKnight	06/2018 05/2022 (Appointed)	\$ 1,350	\$ -0-	President
Gina Torres	05/2018 05/2022 (Elected)	\$ 1,350	\$ -0-	Vice President
Diana Etzler	05/2016 05/2020 (Elected)	\$ 1,200	\$ -0-	Assistant Vice President
Sandra Thompson	05/2016 05/2020 (Elected)	\$ 1,050	\$ -0-	Secretary
Gary Gillen	05/2018 05/2022 (Elected)	\$ 450	\$ -0-	Assistant Secretary
Kathryn Robinson	06/2017 06/2018	\$ 1,350	\$ -0-	Resigned

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
June 20, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on February 17, 2015. Fees of Office are the amounts actually paid to a Director during the District's fiscal year.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 215**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2018</u>	<u>Title</u>
Schwartz, Page & Harding, L.L.P.	02/17/15	\$ 86,535 \$ 230,278	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	07/19/16	\$ 9,750 \$ 15,500	Auditor Bond Related
Myrtle Cruz, Inc.	02/17/15	\$ 19,296	Bookkeeper
Costello, Inc.	02/16/16	\$ 12,485	Engineer
Robert W. Baird & Co. Incorporated	02/16/16	\$ 187,150	Financial Advisor
Mary Jarmon of Myrtle Cruz, Inc.	02/17/15	\$ -0-	Investment Officer
Tax Tech, Incorporated	07/19/16	\$ 9,361	Tax Assessor/ Collector
Perdue, Brandon, Fielder, Collins & Mott, LLP	01/17/17	\$ -0-	Delinquent Tax Attorney

See accompanying independent auditor's 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

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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