

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

The Bonds have been designated as "qualified tax-exempt obligations" for Financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

**NEW ISSUE - Book Entry Only**

Moody's Investors Service, Inc. (Underlying)..... "A1"  
S&P Global Ratings (BAM Insured) ..... "AA"  
See "MUNICIPAL BOND INSURANCE" and "RATINGS"

**\$1,995,000**

**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 10**

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

**UNLIMITED TAX PARK REFUNDING BONDS, SERIES 2020**

**Dated: June 1, 2020**

**Due: September 1, as shown on the inside cover**

The \$1,995,000 First Colony Municipal Utility District No. 10 Unlimited Tax Park Refunding Bonds, Series 2020 (the "Bonds") are obligations of First Colony Municipal Utility District No. 10 (the "District") and are not obligations of the State of Texas; the City of Sugar Land, Texas; Fort Bend County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Sugar Land; Fort Bend County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Interest on the Bonds will accrue from June 1, 2020, and is payable on March 1, 2021 (nine months interest), 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 of a 360-day year composed of twelve 30-day months. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar, initially, Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"), to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date").

The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds.

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

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



The Bonds constitute the fourth series of unlimited tax bonds to be issued by the District for refunding purposes. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The proceeds of the Bonds will be applied, together with lawfully available funds, to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds in order to achieve gross and net present value savings in the District's annual debt service expense. See "PLAN OF FINANCING - Sources and Uses of Funds."

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected on or about June 23, 2020.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS**

**\$1,995,000 Unlimited Tax Park Refunding Bonds, Series 2020**

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP No. 31976J (b)</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP No. 31976J (b)</u>
2021	\$ 120,000	4.000%	1.000%	FB4	2027 (c)	\$ 195,000	2.000%	1.690%	FH1
2022	140,000	4.000%	1.060%	FC2	2028 (c)	200,000	2.000%	1.850%	FJ7
2023	150,000	4.000%	1.140%	FD0	2029 (c)	210,000	2.000%	1.940%	FK4
2024	160,000	4.000%	1.220%	FE8	2030 (c)	225,000	2.000%	2.000%	FL2
2025	175,000	4.000%	1.360%	FF5	2031 (c)	235,000	2.000%	2.050%	FM0
2026 (c)	185,000	2.000%	1.550%	FG3					

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the yield resulting when priced to maturity.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

**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, orders, resolutions, contracts, audits, and engineering and other related reports set forth in the 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 Robert W. Baird & Co. Incorporated, 1331 Lamar Street, Suite 1360, Houston, Texas 77010, financial advisor to the District.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion that 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 Underwriter, and thereafter only as specified in "SOURCES OF INFORMATION – Updating of Official Statement."

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

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

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APPENDIX A - FINANCIAL STATEMENTS OF THE DISTRICT

APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY

## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by First Colony Municipal Utility District No. 10 (the "District") of its \$1,995,000 Unlimited Tax Park Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are issued pursuant to a resolution ("Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, and an election held on February 5, 2005, and passed by a majority of the participating voters.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

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

### **Underwriting**

SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter") has agreed to purchase the Bonds from the District for \$2,046,419.35 (being the par amount of the Bonds, plus an original issue premium on the Bonds of \$75,728.10, less an underwriter's discount of \$24,308.75), plus accrued interest on the Bonds to the date of delivery. The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE 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.

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

### **Securities Laws**

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

## **MUNICIPAL BOND 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 an appendix 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" 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, 2020, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 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/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference).

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

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

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

#### **RATINGS**

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. 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.

Moody's Investor Services, Inc. ("Moody's") has assigned an underlying credit rating of "A1" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. A security rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such ratings will continue for any given period of time or that the ratings 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 ratings may have an adverse effect on the market price of the Bonds.

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

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## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	First Colony Municipal Utility District No. 10 (the "District"), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See "THE DISTRICT."
The Issue .....	\$1,995,000 First Colony Municipal Utility District No. 10 Unlimited Tax Park Refunding Bonds, Series 2020, are dated June 1, 2020, and bear interest at the rates set forth on the inside cover page hereof. The Bonds are scheduled to mature on September 1, 2021 through September 1, 2031, inclusive. Interest accrues from June 1, 2020 and is payable March 1, 2021 (nine months interest), and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Book Entry Only .....	The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS - Book-Entry Only System."
Source of Payment.....	The Bonds are payable from a continuing, direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Sugar Land, Texas; Fort Bend County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of Payment."
Authority for Issuance.....	The Bonds are issued pursuant to a resolution ("Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, and an election held on February 5, 2005, and passed by a majority of the participating voters. The Bonds are the fourth series of bonds issued out of an aggregate of \$9,040,000 principal amount of unlimited tax bonds authorized by the District's voters for refunding purposes. In addition, the District has previously issued one (1) series of bonds out of an aggregate of \$7,250,000 principal amount of unlimited tax bonds for the purpose of parks and recreation facilities and three (3) series of bonds out of an aggregate of \$18,080,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system (the "System"). After the issuance of the Bonds, the following will remain authorized but unissued: \$4,500,000 in unlimited tax bonds for parks and recreational facilities, \$4,200,000 in unlimited tax bonds for System facilities and \$8,025,000 in unlimited tax bonds for refunding purposes. See "THE BONDS - Authority for Issuance."
Qualified Tax-Exempt Obligations.....	The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS - Qualified Tax-Exempt Obligations."
Use of Proceeds.....	Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to achieve annual and net present value savings in the District's current annual debt service requirements by refunding \$1,935,000 (the "Refunded Bonds") of the District's \$2,750,000 Unlimited Tax Park Bonds, Series 2010. Proceeds from the sale of the Bonds will also be used to pay costs of issuance of the Bonds. See "PLAN OF FINANCING."



Municipal Bond Insurance.....	Build America Mutual Assurance Company. See “MUNICIPAL BOND INSURANCE.”
Ratings .....	S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying) “A1.” See “RATINGS.”
Remaining Outstanding Bonds.....	The District has previously issued three series of unlimited tax bonds for refunding purposes, three series of unlimited tax bonds for System facilities and one series of unlimited tax bonds for parks and recreational facilities, of which \$12,125,000 aggregate principal amount is currently outstanding. After the issuance of the Bonds and refunding of the Refunded Bonds, \$10,190,000 principal amount of unlimited tax bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING – Remaining Outstanding Bonds.”
Verification Agent.....	Robert Thomas CPA, LLC, Certified Public Accountants, Verification Agent. See “MANAGEMENT OF THE DISTRICT – Special Consultant Related to Issuance of the Bonds” and “VERIFICATION OF MATHEMATICAL CALCULATIONS.”
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Escrow Agent.....	Regions Bank, an Alabama banking corporation, Houston, Texas. See “Escrow Agreement.”
Financial Advisor .....	Robert W. Baird & Co. Incorporated, Houston, Texas.
Underwriter’s Counsel .....	McCall, Parkhurst & Horton LLP, Houston, Texas.
Infectious Disease Outlook (COVID-19).....	The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “Investment Considerations- Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.
	Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.
	Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.
	The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outlook (COVID-19).”
Hurricane Harvey .....	The Greater Houston area sustained widespread damage as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017,

and historic levels of rainfall during the succeeding four days. According to the Engineer, Hurricane Harvey caused no damage to the District's System and there was no interruption to water and sewer service in the District. Further, although streets in the District experienced widespread flooding, the District is not aware of any homes in the District that experienced structural flooding or other material damage as a result of Hurricane Harvey. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "INVESTMENT CONSIDERATIONS – Hurricane Harvey."

**THE DISTRICT**

Description..... First Colony Municipal Utility District No. 10 (the "District"), a political subdivision of the State of Texas, created by an Order of the Texas Commission on Environmental Quality ("TCEQ"), dated November 2, 2004, is located wholly within the corporate limits of the City of Sugar Land. The District is located in northeast Fort Bend County, approximately 25 miles southwest of the central business district of Houston, at the intersection of State Highway 6 and US 59. The District operates under Chapters 49 and 54 of the Texas Water Code, and other general statutes of Texas applicable to municipal utility districts. See "THE DISTRICT."

Development within the District..... The District encompasses approximately 226 acres of which approximately 209 acres have been developed with water, sanitary sewer, and drainage facilities. There are approximately 6 remaining developable acres and approximately 11 undevelopable acres. Commercial development within the District consists of two hotels, approximately 435,000 square feet of office space and approximately 240,000 square feet of retail space, including a 50,000 square foot Whole Foods Market. Other retail consists of various shopping, personal services and restaurants. A subsidiary of St. Luke's Episcopal Health System, St. Luke's Sugar Land Hospital, a 100-bed acute care hospital, the improved value of which is tax exempt, opened in October 2008 with a full spectrum of inpatient and outpatient services. Medistar Corporation, the developer of the hospital, also developed a 150,000 square foot medical office building that directly connects to the hospital. See "DEVELOPMENT WITHIN THE DISTRICT."

Residential development within the District consists of approximately 51.5 acres developed as 330 lots. As of January 1, 2020, there were 319 completed homes, no homes under construction, and 11 vacant lots. All vacant lots have been sold to homeowners. See "DEVELOPMENT WITHIN THE DISTRICT."

**INVESTMENT CONSIDERATIONS**

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

**SUMMARY OF SELECTED FINANCIAL INFORMATION**

**(UNAUDITED)**

2019 Certified Assessed Valuation.....	\$ 500,402,188	(a)
(100% of market value as of January 1, 2019)		
See "SELECTED FINANCIAL INFORMATION", "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Remaining Outstanding Bonds.....	\$ 10,190,000	(b)
The Bonds.....	<u>1,995,000</u>	
Total.....	\$ 12,185,000	
Estimated Overlapping Debt.....	\$ <u>32,256,647</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ <u>44,441,647</u>	
Direct Debt Ratios:		
As a percentage of the 2019 Certified Assessed Valuation.....		2.44 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of the 2019 Certified Assessed Valuation.....		8.88 %
Debt Service Fund (as of March 11, 2020).....	\$ 1,686,754	(d)
General Fund (as of March 11, 2020).....	\$ 1,936,176	
Construction Fund (as of March 11, 2020).....	\$ 0	
2019 Tax Rate per \$100 of Assessed Valuation		
Debt Service.....	\$ 0.09	
Maintenance.....	<u>0.07</u>	
Total.....	\$ 0.16	
Average Annual Debt Service Requirements		
on Remaining Outstanding Bonds and the Bonds (2020-2031).....	\$ 1,226,830	
Maximum Annual Debt Service Requirement		
on Remaining Outstanding Bonds and the Bonds (2031).....	\$ 1,301,112	
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on Remaining Outstanding Bonds and the Bonds (2020-2031) at 95% Tax Collections Based Upon the 2019 Certified Assessed Valuation (\$500,402,188).....		
	\$ 0.26	(e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on Remaining Outstanding Bonds and the Bonds (2031) at 95% Tax Collections Based Upon the 2019 Certified Assessed Valuation (\$500,402,188).....		
	\$ 0.28	(e)
Number of Single-Family Homes as of January 1, 2020.....		319
(including no homes under construction)		

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."

(b) Excluding the Refunded Bonds.

(c) See "SELECTED FINANCIAL INFORMATION - Estimated Direct and Overlapping Debt Statement."

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

(e) Does not give any effect to any tax rebate revenue received from the City of Sugar Land. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND CITY OF SUGAR LAND."

**\$1,995,000**  
**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 10**  
**UNLIMITED TAX PARK REFUNDING BONDS**  
**SERIES 2020**

This Official Statement of First Colony Municipal Utility District No. 10 (the “District”) is provided to furnish information with respect to the issuance by the District of its \$1,995,000 Unlimited Tax Park Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are issued pursuant to a resolution (“Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, and an election held on February 5, 2005, and passed by a majority of the participating voters.

This Official Statement contains descriptions of the Bonds and the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

**THE BONDS**

**General**

The \$1,995,000 First Colony Municipal Utility District No. 10 Unlimited Tax Park Refunding Bonds, Series 2020, are dated June 1, 2020, with interest payable March 1, 2021 (nine months interest), and each September 1 and March 1 thereafter (“Interest Payment Date”) until maturity or prior redemption. The Bonds are scheduled to mature on September 1, 2021 through September 1, 2031, inclusive. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity upon presentation at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, an Alabama banking corporation, Houston, Texas, (the “Paying Agent/Registrar”). Interest on the Bonds will be payable as of the Interest Payment Date, and disbursed to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”).

**Book-Entry-Only System**

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 rating of AA+ from S&P Global Ratings. 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend 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 District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

### **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 Resolution will be given only to DTC.

### **Source of Payment**

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Bonds, the Outstanding Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

### **Authority for Issuance**

The Bonds are the fourth series of bonds issued out of an aggregate of \$9,040,000 principal amount of unlimited tax bonds authorized by the District's voters for refunding purposes. In addition, the District has previously issued one (1) series of bonds out of an aggregate of \$7,250,000 principal amount of unlimited tax bonds for the purpose of parks and recreation facilities and three (3) series of bonds out of an aggregate of \$18,080,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system (the "System"). After the issuance of the Bonds, the following will remain authorized but unissued: \$4,500,000 in unlimited tax bonds for parks and recreational facilities, \$4,200,000 in unlimited tax bonds for System facilities and \$8,025,000 in unlimited tax bonds for refunding purposes.

The Bonds are issued pursuant to the Bond Resolution; Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code; as amended and Chapter 1207 of the Texas Government Code, as amended, and an election held within the District on February 5, 2005.

### **Funds**

The proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited, as collected, in the District's Debt Service Fund and used only for the purpose of paying principal of and interest on the Bonds.

### **No Arbitrage**

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

### **Redemption of the Bonds**

Bonds maturing on September 1, 2026, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered

Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

### **Registration, Transfer and Exchange**

In the event the Book-Entry-Only System (hereinafter defined) should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

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

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

### **Successor Paying Agent/Registrar**

The Board has selected Regions Bank, an Alabama banking corporation, as the initial Paying Agent/Registrar. The initial designated office for the Bonds is located in Houston, Texas.

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality ("TCEQ"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT." After the issuance of the Bonds, the District will have \$4,200,000 in principal amount of unlimited tax bonds for the System, \$4,500,000 in principal amount of unlimited tax park bonds for parks and recreation, and \$8,025,000 in principal amount of unlimited tax bonds for refunding purposes authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

### **Consolidation and Dissolution**

The City of Sugar Land has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement between the District and the City of Sugar Land. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND CITY OF SUGAR LAND." Under the terms of that Agreement, the City of Sugar Land may not dissolve the District until 90% of the developable acreage in the District has been developed with water, sewer, drainage and park facilities and the Developer has been reimbursed for said facilities or the City of Sugar Land assumes such reimbursement obligation, both of which conditions have now been fulfilled. If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City of Sugar Land. Dissolution of the District is a policy matter for the City of Sugar Land. The District can make no representation regarding the likelihood that the City of Sugar Land will dissolve the District.

## **Defeasance**

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

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

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

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

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

## **Remedies in Event of Default**

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



attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

**PLAN OF FINANCING**

**Use and Distribution of Bond Proceeds**

Proceeds from the sale of the Bonds, together with other lawfully available District funds, will be used to achieve a debt service savings by refunding \$1,935,000 principal amount (the "Refunded Bonds") of the District's \$2,750,000 Unlimited Tax Park Bonds, Series 2010. Proceeds from sale of the Bonds will also be used to pay costs of issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District's current annual debt service requirements.

**The Refunded Bonds**

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

Unlimited Tax Park Bonds, Series 2010	
Principal Amount	Maturity Date
\$ 120,000	09/01/2021
130,000 (a)	09/01/2022
140,000 (a)	09/01/2023
150,000 (b)	09/01/2024
160,000 (b)	09/01/2025
170,000 (c)	09/01/2026
185,000 (c)	09/01/2027
195,000 (d)	09/01/2028
210,000 (d)	09/01/2029
230,000 (e)	09/01/2030
<u>245,000 (e)</u>	09/01/2031
<u>\$ 1,935,000</u>	

Total Principal Amount of the Refunded Bonds: \$1,935,000

Redemption Date: September 1, 2020

- 
- (a) Represents a partial maturity of a term bond with a final maturity in 2023.
  - (b) Represents a partial maturity of a term bonds with a final maturity in 2025.
  - (c) Represents a partial maturity of a term bonds with a final maturity in 2027.
  - (d) Represents a partial maturity of a term bonds with a final maturity in 2029.
  - (e) Represents a partial maturity of a term bonds with a final maturity in 2031.

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## Remaining Outstanding Bonds

After the issuance of the Bonds and refunding of the Refunded Bonds, \$10,190,000 principal amount of previously issued bonds will remain outstanding (the "Remaining Outstanding Bonds"):

Series	Original Principal Amount	Principal Currently Outstanding	Less: Refunded Bonds	Remaining Outstanding Bonds
U/L Tax Bonds, Series 2016A	\$ 3,000,000	\$ 2,870,000	\$ -	\$ 2,870,000
U/L Tax Ref Bonds, Series 2016	3,915,000	3,855,000	-	3,855,000
U/L Tax Ref Bonds, Series 2015	3,020,000	2,795,000	-	2,795,000
U/L Tax Park Bonds, Series 2010	2,750,000	2,045,000	(1,935,000)	110,000
U/L Tax Bonds, Series 2009	<u>4,280,000</u>	<u>560,000</u>	<u>-</u>	<u>560,000</u>
	<u>\$ 16,965,000</u>	<u>\$ 12,125,000</u>	<u>\$ 1,935,000</u>	<u>\$ 10,190,000</u>

## Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

### SOURCES OF FUNDS:

Principal Amount of Bonds.....	\$ 1,995,000.00
Net Original Issue Premium .....	75,728.10
Debt Service Fund Transfer .....	40,000.00
Accrued Interest on Bonds.....	<u>3,348.89</u>
Total Sources of Funds .....	\$ 2,114,076.99

### USES OF FUNDS:

Deposit to Escrow Fund for Payment of the Refunded Bonds .....	\$ 1,975,786.71
Deposit of Accrued Interest to Debt Service Fund .....	3,348.89
Issuance Expenses and Underwriter's Discount .....	131,758.67
Additional Proceeds Deposit to Debt Service Fund .....	<u>3,182.72</u>
Total Uses of Funds .....	\$ 2,114,076.99

## Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with Regions Bank, an Alabama banking corporation, in Houston, Texas (the "Escrow Agent") pursuant to which a portion of the proceeds of the Bonds and lawfully available District funds will be invested in certain securities of the United States of America or agencies of the United States of America (the "Escrowed Obligations"), deposited, along with cash, in an escrow fund (the "Escrow Fund"), and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their maturity or prior redemption and to provide for payment of the redemption price of the Refunded Bonds on the redemption date. At the time of delivery of the Bonds, Robert Thomas CPA, LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Obligations will mature at such times and yield interest in amounts that, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Pursuant to the Escrow Agreement, the Escrow Fund is irrevocably pledged for the payment of principal of and interest on the Refunded Bonds.

## Defeasance of the Refunded Bonds

By the deposit of the Escrowed Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing the issuance of the Refunded Bonds. In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefore in such Escrow Agreement.

## THE DISTRICT

### General

First Colony Municipal Utility District No. 10 (the "District") was created by order of the Texas Commission on Environmental Quality ("TCEQ"), dated November 2, 2004, and by a confirmation election held within the District on

February 5, 2005, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

At the time of the confirmation election, the District encompassed 189.8 acres. The District approved the annexation of 23.17 acres on September 10, 2008 and 13.33 acres on November 12, 2008. Currently, the District encompasses 226.3 acres.

### **Location**

The District is a political subdivision of the State of Texas, located in Northeast Fort Bend County within the City of Sugar Land's corporate limits. The District is approximately 25 miles southwest of the central business district of Houston, at the intersection of State Highway 6 and US 59. The District lies entirely within the boundaries of the Fort Bend Independent School District. The District is part of First Colony, a master planned community with over 13,000 homes.

### **Authority**

The District is empowered, among other things, to 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 collection and disposal service and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. The District has no plans to provide a fire department. The District is also empowered to establish parks and recreational facilities for the residents.

The District is authorized to issue its bonds to finance its water, sanitary sewer and drainage facilities, with the approval of the TCEQ and the Attorney General of Texas, to the extent authorized by the District's qualified voters. The District will have \$4,200,000 in principal amount of unlimited tax bonds for the System, \$4,500,000 in principal amount of unlimited tax park bonds for parks and recreation, and \$8,025,000 in principal amount of unlimited tax bonds for refunding purposes authorized but unissued following the issuance of the Bonds.

## **DEVELOPMENT WITHIN THE DISTRICT**

### **Status of Development**

Land within the District has been developed as the single-family subdivision of Lake Pointe, Sections 2, 2-A, 3, 4, 5, Lake Pointe Urban Homes and the Enclave at Lake Pointe (aggregating 51.5 acres and 330 single-family lots). As of January 1, 2020, the District consisted of 319 completed homes, no homes under construction and 11 vacant developed lots. All vacant lots have been sold to homeowners. In addition, the District contains approximately 157.6 developed acres for commercial use, 6.0 undeveloped but developable acres and approximately 11.2 undevelopable acres.

### **Commercial Development**

Commercial development within the District consists of two hotels, approximately 435,000 square feet of office space and approximately 240,000 square feet of retail space. Retail development consists of a 50,000 square foot Whole Foods Market, along with various shopping, personal services, restaurants and bank branches. Restaurants currently operating in the District are Buffalo Wild Wings, Raising Cane's Chicken Fingers, Olive Garden Italian, Torchy's Tacos, Arby's, and Potbelly Sandwiches. Banking institutions with branches open in the District include First Bank, Comerica Bank, Ironstone Bank and Trustmark Bank.

A subsidiary of St. Luke's Episcopal Health System, St. Luke's Sugar Land Hospital, a 100-bed acute care hospital, the improved value of which is tax exempt, opened in October 2008 with a full spectrum of inpatient and outpatient services.

Medistar Corporation, the developer of the hospital, also developed a 150,000 square foot medical office building that directly connects to the hospital. The two buildings are situated on 12 acres. In addition to St. Luke's Sugar Land Hospital, there are several health care businesses currently operating in the District including Orthopedic Specialists of Texas, Sugar Land Rehabilitation Hospital, Villalon Pediatric Dentistry and Southwest Cosmetic Surgery & Skin Care Center.

### **Future Development**

The District contains approximately 6 undeveloped but developable acres. The District can make no representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

## **UTILITY AGREEMENT BETWEEN THE DISTRICT AND CITY OF SUGAR LAND**

All land in the District is located within the corporate limits of the City of Sugar Land. The City of Sugar Land and the District have entered into the Utility Agreement, dated March 2, 2004, which obligates the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City of Sugar Land, to convey title to such utility facilities to the City of Sugar Land. The City of Sugar Land then operates and maintains such facilities, and is responsible for establishing

water and sewer rates and collection charges for water and sewer service from District residents. The City of Sugar Land also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in the City of Sugar Land. Pursuant to the Utility Agreement with the District, the City of Sugar Land has agreed to rebate to the District a portion of City taxes collected on taxable property within the District. Pursuant to the Utility Agreement, the City of Sugar Land agrees to pay fifty percent (50%) of such City taxes collected upon taxable property within the District beginning with taxes collected for the 2007 tax year and continuing each year thereafter until the year 2044 and thereafter the City of Sugar Land's payment obligation shall cease and the City of Sugar Land shall not pay any portion of City taxes to the District. The dollar amount of rebate payment will vary with changes in the City of Sugar Land's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City of Sugar Land under the formula will vary from year to year. Any significant reduction in the amount of the tax rebate may require an increase in the District's rate of taxation in order to meet its obligations. The proceeds of the City of Sugar Land rebate are not pledged to the Bonds.

The District will retain a security interest in the System to secure the City of Sugar Land's performance under the Utility Agreement until the Bonds and any future bonds have been discharged, at which time the District will execute a release of such security interest, and the City of Sugar Land will then own the System free and clear, and the City of Sugar Land's obligation to make payments to the District will terminate if it has not previously ceased as per the declining scale set forth hereinabove. The District and the City of Sugar Land recognize that the District will levy its own annual ad valorem tax to secure additional funds for payment of the Bonds, the Remaining Outstanding Bonds, and any additional bonds.

The District has agreed in the Utility Agreement to extend the System to serve future users as necessary so that ultimately all landowners in the District will be in a position to receive services from the System; however, the District's obligation to extend the System is conditioned upon continued development within the District, the City of Sugar Land's performance under the provisions of the Utility Agreement, and satisfaction of certain determinations of economic feasibility by the Board of Directors of the District and the TCEQ, and TCEQ approval and the ability of the District to sell bonds. See "TAX DATA - Tax Adequacy for Debt Service."

## **THE SYSTEM**

### **Regulation**

According to the District's Engineer, Costello, Inc. ("Costello" or "Engineer"), the District's System have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Sugar Land and the Fort Bend County Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

Pursuant to the Utility Agreement, as the District completes water and sewer facilities, it transfers ownership of those facilities to the City of Sugar Land. Thereafter, the City of Sugar Land provides these services to residents and commercial properties within the District, and is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. Regulations are subject to further development and revisions.

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## General Fund Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Because the City of Sugar Land provides water and sewer services to the District, the District's General Fund is used primarily for administrative expenses of the District. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements and in the case of financial information for the period August 1, 2019 through February 29, 2020, the District's bookkeeping records. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended 07/31					
	2020 (a)	2019	2018	2017	2016	2015
<b>REVENUES</b>						
Property Taxes	\$ 338,902	\$ 393,927	\$ 345,645	\$ 267,280	\$ 364,798	\$ 532,437
Investment Revenues	<u>17,962</u>	<u>34,167</u>	<u>17,567</u>	<u>6,408</u>	<u>2,007</u>	<u>1,729</u>
<b>TOTAL REVENUES</b>	<u>\$ 356,864</u>	<u>\$ 428,094</u>	<u>\$ 363,212</u>	<u>\$ 273,688</u>	<u>\$ 366,805</u>	<u>\$ 534,166</u>
<b>EXPENDITURES</b>						
Professional Fees	\$ 34,830	\$ 47,514	\$ 49,261	\$ 51,648	\$ 66,125	\$ 60,720
Contracted Services	9,253	16,500	15,375	16,675	16,313	16,725
Repairs and Maintenance	-	-	66,400	3,050	21,187	-
Administrative	14,396	15,453	16,270	15,327	17,073	19,102
Other Operating Expenditures	10,999	4,088	6,226	1,507	4,127	4,302
Interest	-	-	-	-	140,304	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>949,494</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 69,478</u>	<u>\$ 83,555</u>	<u>\$ 153,532</u>	<u>\$ 88,207</u>	<u>\$ 1,214,623</u>	<u>\$ 100,849</u>
Excess Revenues (Expenditures)	\$ 287,386	\$ 344,539	\$ 209,680	\$ 185,481	\$ (847,818)	\$ 433,317
Other Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, Beg of Year	<u>\$ 1,664,000</u>	<u>\$ 1,319,461</u>	<u>\$ 1,109,781</u>	<u>\$ 924,300</u>	<u>\$ 1,772,118</u>	<u>\$ 1,338,801</u>
Balance, End of Year	<u>\$ 1,951,386</u>	<u>\$ 1,664,000</u>	<u>\$ 1,319,461</u>	<u>\$ 1,109,781</u>	<u>\$ 924,300</u>	<u>\$ 1,772,118</u>

(a) Unaudited as of February 29, 2020.

## DISTRICT BONDS AUTHORIZED BUT UNISSUED

Date Authorization	Purpose	Bonds Authorized	Authorization Used	Authorized But Unissued
2/05/05	Water, Sewer & Drainage	\$ 18,080,000	\$ 13,880,000	\$ 4,200,000
2/05/05	Recreation	\$ 7,250,000	\$ 2,750,000	\$ 4,500,000
2/05/05	Refunding	\$ 9,040,000	\$ 1,015,000 (a)	\$ 8,025,000

(a) Includes the Bonds.

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**SELECTED FINANCIAL INFORMATION  
(Unaudited)**

2019 Certified Assessed Valuation.....	\$ 500,402,188 (a)
(100% of market value as of January 1, 2019)	
See "SELECTED FINANCIAL INFORMATION", "TAX DATA" and "TAXING PROCEDURES."	
<b>Direct Debt</b>	
Remaining Outstanding Bonds.....	\$ 10,190,000 (b)
The Bonds.....	<u>1,995,000</u>
Total.....	<u>\$ 12,185,000</u>
Estimated Overlapping Debt.....	\$ 32,256,647 (c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 44,441,647</u>
<b>Direct Debt Ratios:</b>	
As a percentage of the 2019 Certified Assessed Valuation.....	2.44 %

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."  
(b) Excluding the Refunded Bonds.  
(c) See "SELECTED FINANCIAL INFORMATION - Estimated Direct and Overlapping Debt Statement."

**Total Outstanding Bonds**

Date of Issue	Series	Original Amount	Amount Outstanding as of Delivery of the Bonds
11/01/2009	2009	\$ 4,280,000	\$ 560,000
07/01/2010	2010	2,750,000	110,000
06/01/2015	2015	3,020,000	2,795,000
03/01/2016	2016	3,915,000	3,855,000
12/01/2016	2016A	3,000,000	2,870,000
06/01/2020	2020 (a)	<u>1,995,000</u>	<u>1,995,000</u>
		<u>\$18,960,000</u>	<u>\$ 12,185,000</u>

(a) The Bonds.

**Cash and Investment Balances**

(Unaudited as of March 11, 2020)

General Fund	Cash and Temporary Investments	\$ 1,936,176
Debt Service Fund (a)	Cash and Temporary Investments	1,686,754
Capital Projects Fund	Cash and Temporary Investments	0

(a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.

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## Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt March 31, 2020	Overlapping	
		Percent	Amount
Fort Bend County	\$ 559,527,527	0.70 %	\$ 3,928,526
Fort Bend ISD	1,079,958,767	1.18 %	12,738,668
City of Sugar Land	315,881,144	3.09 %	9,767,462
Fort Bend County LID 2	59,045,000	9.86 %	<u>5,821,992</u>
Total Estimated Overlapping Debt.....			\$ 32,256,647
Direct Debt (a) .....			\$ 12,185,000
Total Direct & Estimated Overlapping Debt (a).....			\$ 44,441,647

(a) Includes the Bonds, and excludes the Refunded Bonds.

## TAX DATA

### Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "SELECTED FINANCIAL INFORMATION - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2019 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2019 Tax Rate
The District	\$ 0.16000
Fort Bend County	0.46000 (a)
Fort Bend ISD	1.27000
City of Sugar Land	0.33220 (b)
Fort Bend County LID No. 2	<u>0.14900</u>
Estimated Total Tax Rate	<u>\$ 2.37100</u>

(a) Includes \$0.0153 for Fort Bend County Drainage District.

(b) The District receives a tax revenue rebate from the City of Sugar Land. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND CITY OF SUGAR LAND."

**Assessed Valuation Summary**

The following represents the type of property comprising the 2015-2019 tax rolls:

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	\$ 157,678,520	\$ 158,007,840	\$ 153,316,140	\$ 151,279,310	\$ 132,995,410
Improvements	423,210,666	411,596,960	383,209,458	371,095,820	318,916,060
Personal Property	34,094,212	31,472,620	30,562,643	31,641,620	24,954,580
Exemptions	<u>(114,581,210)</u>	<u>(111,056,977)</u>	<u>(106,202,819)</u>	<u>(107,592,963)</u>	<u>(69,669,350)</u>
Total	<u>\$ 500,402,188</u>	<u>\$ 490,020,443</u>	<u>\$ 460,885,422</u>	<u>\$ 446,423,787</u>	<u>\$ 407,196,700</u>

**Historical Tax Collections**

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 7/31	Collections 03/31/2020
2014	\$334,971,351	0.410	\$ 1,373,383	99.58%	2015	99.98%
2015	407,196,700	0.250	1,017,992	99.99	2016	99.99
2016	446,423,787	0.200	892,848	99.87	2017	99.90
2017	460,885,422	0.190	875,682	99.80	2018	99.86
2018	490,020,443	0.170	833,035	98.62	2019	99.68
2019	500,402,188	0.160	800,644	97.10	2020	97.10

(a) See "Tax Rate Distribution."

**Tax Rate Distribution**

	2019	2018	2017	2016	2015	2014
Debt Service	\$ 0.09	\$ 0.09	\$ 0.11	\$ 0.14	\$ 0.16	\$ 0.25
Maintenance	<u>\$ 0.07</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>	<u>\$ 0.19</u>
	\$ 0.16	\$ 0.17	\$ 0.19	\$ 0.20	\$ 0.25	\$ 0.41

**Tax Rate Limitation**

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

Maintenance: \$0.75 per \$100 Assessed Valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. An election was held within the District on February 5, 2005, which authorized the levy of a maintenance tax not to exceed \$0.75/\$100 assessed valuation. The District levied a maintenance tax of \$0.07 per \$100 of assessed valuation for tax year 2019.

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**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2019 tax year.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Assessed Valuation</u>
Welltower TCG Ridea Landlord LLC	Land & Improvements	\$ 49,517,659
Lake Pointe Shopping Center LP	Land & Improvements	35,469,682
Monarch Sugar Land LP	Personal Property	17,950,000
Sugar Land Medical Plaza	Personal Property	15,139,530
SLT-CY Hotel Owner LLC	Land & Improvements	13,580,490
Houston MOB 1 LLC	Land & Improvements	12,262,500
Healthsouth Texas Real Estate LLC	Land & Improvements	9,882,530
St Lukes Sugar Land Properties Corp	Land & Improvements	9,442,440
Fondren Investments Ltd	Land & Improvements	6,552,820
Ztowers Holdings LLC	Land & Improvements	<u>4,916,960</u>
Total		\$ 174,714,611
Principal Taxpayers Total as Percentage of District 2019 Valuation		34.91 %

**Additional Penalties**

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

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation which would be required to meet certain debt service requirements on Remaining Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2019 Certified Assessed Valuation (\$500,402,188). The calculations assume collection of 95% of taxes levied and exclude any debt service funds or anticipated tax revenue rebates to be received by the City of Sugar Land. For fiscal year ended 2019, the District received \$661,718 from the City of Sugar Land for the rebate.

Average Annual Debt Service Requirements (2020-2031).....	\$1,226,830
Tax Rate of \$0.26 on the 2019 Certified Assessed Valuation produces .....	\$1,235,993
Maximum Annual Debt Service Requirement (2031).....	\$1,301,112
Tax Rate of \$0.28 on the 2019 Certified Assessed Valuation produces .....	\$1,331,070

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## MANAGEMENT OF THE DISTRICT

The District is governed by the Board of Directors (the “Board”), consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The Directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board, along with their occupations are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Rodney L. Craig	President	2024
Zac Cypert	Vice President	2024
John Peper	Secretary	2022
Stephen Higgins	Assistant Vice President	2024
Marta Mohan	Assistant Secretary	2022

### **Investment Policy**

The District has adopted an Investment Policy (the “Policy”) as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

### **Consultants**

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

#### **Tax Assessor/Collector**

The District’s Tax Assessor/Collector is Bob Leared Interests, Inc. (the “Tax Assessor/Collector”). The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

#### **Bookkeeper**

The District’s bookkeeper is McLennan & Associates, LP. Such firm acts as bookkeeper for more than 100 utility districts.

#### **Utility System Operator**

The City of Sugar Land, pursuant to the Utility Functions and Service Allocation Agreement between the District and the City of Sugar Land, operates the District’s water and sewer system. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND CITY OF SUGAR LAND.”

#### **Auditor**

As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which annual audit is filed with the TCEQ. A copy of the District’s audit prepared by McGrath & Co., PLLC for the fiscal year ended July 31, 2019, is included as “APPENDIX A” to this Official Statement.

#### **Engineer**

The consulting engineer for the District in connection with the previous design and construction of the facilities with the District is Costello, Inc. (the “Engineer”).

#### **Bond Counsel**

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

**Financial Advisor**

Robert W. Baird & Co. Incorporated (“the “Financial Advisor”) is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

**Special Consultant Related to Issuance of the Bonds**

Verification Agent – At the time of delivery of the Bonds, Robert Thomas CPA, LLC, Certified Public Accountants, will verify to the District, Bond Counsel, and the Underwriter certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

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## DEBT SERVICE SCHEDULE

The following schedule sets forth the current total debt service requirements of the District, less the Refunded Bonds, plus the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service	Less: Refunded Debt Service	Plus: The Bonds		Total Debt Service
			Principal	Interest	
2020	\$ 996,438	\$ 41,166	\$ -	\$ -	\$ 955,272
2021	1,222,248	202,331	120,000	68,500	1,208,417
2022	1,231,862	207,531	140,000	50,000	1,214,331
2023	1,238,858	212,331	150,000	44,400	1,220,927
2024	1,247,233	216,731	160,000	38,400	1,228,902
2025	1,260,270	220,544	175,000	32,000	1,246,726
2026	1,266,792	223,944	185,000	25,000	1,252,848
2027	1,276,663	231,719	195,000	21,300	1,261,244
2028	1,284,570	233,856	200,000	17,400	1,268,114
2029	1,290,381	240,325	210,000	13,400	1,273,456
2030	1,307,548	251,138	225,000	9,200	1,290,610
2031	<u>1,317,315</u>	<u>255,903</u>	<u>235,000</u>	<u>4,700</u>	<u>1,301,112</u>
Total	\$ 14,940,176	\$ 2,537,518	\$ 1,995,000	\$ 324,300	\$ 14,721,958

Average Annual Requirements (2020–2031).....	\$1,226,830
Maximum Annual Requirement (2031) .....	\$1,301,112

## TAXING PROCEDURES

### Authority to Levy Taxes

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

### Property Tax Code and County-wide Appraisal District

Title 1 of the Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least fifteen percent (15%) damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from fifteen percent (15%) for property less than thirty percent (30%) damaged to one-hundred percent (100%) for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the

District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons sixty-five (65) years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. For the 2020 tax year, the District granted a \$40,000 exemption for residential homesteads of persons sixty-five (65) years or older or under a disability.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For the 2020 tax year, the District has granted a 20% general residential homestead exemption.

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

it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, no portion of the land within the District has been designated as a reinvestment zone.

### **Valuation of Property for Taxation**

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

### **Tax Payment Installments after Disaster**

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

## **District and Taxpayer Remedies**

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

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

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date 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 districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the 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 as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all 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, 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 1.08 times the previous year's operation and maintenance tax rate.

### *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, subject to certain homestead exemptions for the preceding tax year, 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 1.035 times the previous year's operation and maintenance tax rate 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 rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, 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 1.08 times the previous year's operation and maintenance tax rate.

#### *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 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.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

### **INVESTMENT CONSIDERATIONS**

#### **General**

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

#### **Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the



United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order on April 27, 2020, which, among other things permits the re-opening of retail establishments, drive-in restaurant services, movie theaters, shopping malls, museums and libraries, with limitations on the levels of occupancy, unless and until otherwise extended, modified, rescinded, or suspended by the Governor. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

#### **Potential Effects of Oil Price Declines on the Houston Area**

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

#### **Factors Affecting Taxable Values and Tax Payments**

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2019 Certified Assessed Valuation of property located within the District (see “SELECTED FINANCIAL INFORMATION”) is \$500,402,188. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$1,301,112 (2031) and the average annual debt service requirement will be \$1,226,830 (2020-2031). Assuming no increase or decrease from the 2019 Certified Assessed Valuation, tax rates of \$0.28 and \$0.26 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District’s tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon 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.

***Dependence on Principal Taxpayers:*** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2019, the District's principal taxpayers owned property located within the District the aggregate assessed taxable valuation of which comprised approximately 34.91% of the District's total assessed taxable valuation. Welltower TCG Ridea Landlord LLC, the District's largest taxpayer, owns approximately 9.90% of the District's assessed taxable valuation as of January 1, 2019. Lake Pointe Shopping Center LP, the District's second largest taxpayer, owns approximately 7.09% of the District's assessed taxable valuation as of January 1, 2019. See "TAX DATA – Principal Taxpayers."

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 "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

### **Hurricane Harvey**

The Greater Houston area sustained widespread damage as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the Engineer, Hurricane Harvey caused no damage to the District's System and there was no interruption to water and sewer service in the District. Further, although streets in the District experienced widespread flooding, the District is not aware of any homes in the District that experienced structural flooding or other material damage as a result of Hurricane Harvey. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region.

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 (2) 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.

### **Limitation to Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners could not themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds.

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

The enforceability of the rights and remedies of 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. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901–946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay

would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. 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 a Registered Owner 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 Owner's claim against a district.

A district cannot be placed into bankruptcy involuntarily.

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds which are more generally bought, sold or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

### **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 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 "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 or Underwriter has made independent investigation into the claims paying ability of the Bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond insurer is

given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATINGS” for further information provided by the Bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond insurer.

### **Future Debt**

After the issuance of the Bonds, the District will have \$4,200,000 in principal amount of unlimited tax bonds for the System, \$4,500,000 in principal amount of unlimited tax park bonds for parks and recreation, and \$8,025,000 in principal amount of unlimited tax bonds for refunding purposes authorized but unissued (See “THE BONDS - Issuance of Additional Debt” and “DISTRICT BONDS AUTHORIZED BUT UNISSUED”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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

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

### **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 does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **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;
- Requiring remedial action to prevent or mitigate pollution.

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

**Air Quality Issues.** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (“TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2007 as a severe ozone nonattainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA “8-hour” ozone standards are met. The EPA granted the governor’s request to voluntarily reclassify the HGB ozone nonattainment area from a moderate to a severe nonattainment area for the 1997 eight-hour ozone standard, effective October 31, 2008. The HGB area’s new attainment deadline for the 1997 eight-hour ozone standard must be attained as expeditiously as practicable, but no later than June 15, 2019. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet EPA’s standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

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

Pursuant to the Safe Drinking Water Act ("SDWA"), potable (drinking) water provided by a district to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that utility districts may discharge may have an impact on the utility district's ability to obtain and maintain TPDES permits.

Operations of utility districts are also potentially subject to numerous stormwater discharge permitting requirements under the CWA, EPA and TCEQ regulations. The TCEQ reissued the Texas Pollutant Discharge Elimination System Construction General Permit (TXR150000) on February 19, 2013. The permit became effective on March 5, 2013, and is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state.

## **LEGAL MATTERS**

### **Legal Proceedings**

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

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE DISTRICT - General," "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Proceedings," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

### **No Material Adverse Change**

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

## **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of Robert Thomas, CPA, LLC, Verification Agent, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the

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

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

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

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

#### **Qualified Tax-Exempt Obligations**

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

The District has designated the Bonds as "qualified tax-exempt obligations" and represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code, during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

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

#### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds, (b) the computation of the yields on the Bonds and was verified by Robert Thomas CPA, LLC. The computations were independently verified by Robert Thomas CPA, LLC, based upon certain assumptions and information supplied by the Underwriter on behalf of the District. Robert Thomas CPA, LLC, has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not express an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

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

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

## **Annual Reports**

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION" (except under the subheading "- Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the District commissions an audit and the audit report is completed within the period during which it must be provided. If the audit 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 and if, 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.

## **Event Notices**

The District will provide timely notices of specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, 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 other 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 other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information from EMMA**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate



principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

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

## **OFFICIAL STATEMENT**

### **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 and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the section entitled "THE DISTRICT – Description" has been provided by Costello, Inc. and that engineering information included in the section entitled "THE SYSTEM," has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "SELECTED FINANCIAL INFORMATION" was provided by Bob Leared Interests and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

### **Certification as to Official Statement**

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

### **Updating of Official Statement**

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

## **CONCLUDING STATEMENT**

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official

Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of First Colony Municipal Utility District No. 10 as of the date shown on the first page hereof.

/s/ Zac Cypert  
Vice President, Board of Directors  
First Colony Municipal Utility District No. 10

ATTEST:

/s/ John Peper  
Secretary, Board of Directors  
First Colony Municipal Utility District No. 10

**APPENDIX A**  
**FINANCIAL STATEMENTS OF THE DISTRICT**

**FIRST COLONY MUNICIPAL  
UTILITY DISTRICT NO. 10  
FORT BEND COUNTY, TEXAS  
FINANCIAL REPORT  
July 31, 2019**

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# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditors' Report

Board of Directors  
First Colony Municipal Utility District No. 10  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of First Colony Municipal Utility District No. 10, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
First Colony Municipal Utility District No. 10  
Fort Bend County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of First Colony Municipal Utility District No. 10, as of July 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

Houston, Texas  
November 13, 2019

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



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***First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019***

**Using this Annual Report**

Within this section of the financial report of First Colony Municipal Utility District No. 10 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

***First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019***

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

**Fund Financial Statements**

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

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

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

The District's net position at July 31, 2019, was negative \$3,518,401. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Sugar Land. A comparative summary of the District's overall financial position, as of July 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 3,994,381	\$ 3,651,456
Capital assets	5,008,110	5,107,146
Total assets	<u>9,002,491</u>	<u>8,758,602</u>
Total deferred outflows of resources	<u>850,156</u>	<u>971,995</u>
Current liabilities	950,876	986,307
Long-term liabilities	12,420,172	13,187,878
Total liabilities	<u>13,371,048</u>	<u>14,174,185</u>
Net position		
Net investment in capital assets	737,854	626,805
Restricted	2,117,720	2,040,463
Unrestricted	(6,373,975)	(7,110,856)
Total net position	<u>\$ (3,518,401)</u>	<u>\$ (4,443,588)</u>

***First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019***

The total net position of the District increased during the current fiscal year by \$925,187. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 842,642	\$ 895,953
City of Sugar Land tax rebate	782,339	740,654
Other	70,283	38,668
Total revenues	<u>1,695,264</u>	<u>1,675,275</u>
Expenses		
Operating and administrative	109,718	178,921
Interest and fees	561,323	635,026
Depreciation and amortization	99,036	99,036
Total expenses	<u>770,077</u>	<u>912,983</u>
Change in net position	925,187	762,292
Net position, beginning of year	<u>(4,443,588)</u>	<u>(5,205,880)</u>
Net position, end of year	<u>\$ (3,518,401)</u>	<u>\$ (4,443,588)</u>

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

The District's combined fund balances, as of July 31, 2019, were \$3,841,464, which consists of \$1,664,000 in the General Fund and \$2,177,464 in the Debt Service Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 1,678,734</u>	<u>\$ 1,401,324</u>
Total liabilities	\$ 7,949	\$ 71,638
Total deferred inflows	6,785	10,225
Total fund balance	<u>1,664,000</u>	<u>1,319,461</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,678,734</u>	<u>\$ 1,401,324</u>

***First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 428,094	\$ 363,212
Total expenditures	<u>(83,555)</u>	<u>(153,532)</u>
Revenues over expenditures	<u>\$ 344,539</u>	<u>\$ 209,680</u>

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

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,315,647</u>	<u>\$ 2,250,132</u>
Total liabilities	\$ 5,463	\$ 4,208
Total deferred inflows	132,720	22,540
Total fund balance	<u>2,177,464</u>	<u>2,223,384</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,315,647</u>	<u>\$ 2,250,132</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,160,430	\$ 1,300,048
Total expenditures	<u>(1,206,350)</u>	<u>(1,240,643)</u>
Revenues over/(under) expenditures	<u>\$ (45,920)</u>	<u>\$ 59,405</u>

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

*First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019*

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$77,828 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at July 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 2,643,481</u>	<u>\$ 2,643,481</u>
Capital assets being depreciated/amortized		
Infrastructure	2,085,447	2,085,447
Parks and recreational facilities	443,365	443,365
Connection fees	<u>618,030</u>	<u>618,030</u>
	<u>3,146,842</u>	<u>3,146,842</u>
Less accumulated depreciation/amortization		
Infrastructure	(458,271)	(402,004)
Parks and recreational facilities	(220,937)	(198,769)
Connection fees	<u>(103,005)</u>	<u>(82,404)</u>
	<u>(782,213)</u>	<u>(683,177)</u>
Depreciable capital assets, net	<u>2,364,629</u>	<u>2,463,665</u>
Capital assets, net	<u><u>\$ 5,008,110</u></u>	<u><u>\$ 5,107,146</u></u>

*First Colony Municipal Utility District No. 10  
Management's Discussion and Analysis  
July 31, 2019*

**Long-Term Debt and Related Liabilities**

At July 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2007	\$ 220,000	\$ 430,000
2008	150,000	295,000
2009	720,000	870,000
2010 Park	2,150,000	2,245,000
2015 Refunding	2,855,000	2,910,000
2016 Refunding	3,875,000	3,895,000
2016A Refunding	2,900,000	2,930,000
	<u>\$ 12,870,000</u>	<u>\$ 13,575,000</u>

At July 31, 2019, the District had \$4,200,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$4,500,000 for parks and recreational facilities; and \$8,085,000 for refunding purposes.

**Next Year's Budget**

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

	2019 Actual	2020 Budget
Total revenues	\$ 428,094	\$ 420,000
Total expenditures	<u>(83,555)</u>	<u>(124,632)</u>
Revenues over expenditures	344,539	295,368
Beginning fund balance	<u>1,319,461</u>	<u>1,664,000</u>
Ending fund balance	<u>\$ 1,664,000</u>	<u>\$ 1,959,368</u>

**Property Taxes**

The District's property tax base increased approximately \$6,316,000 for the 2019 tax year from \$490,255,205 to \$496,571,204. This increase was primarily due to increased property values in the District. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.07 per \$100 of assessed value and a debt service tax rate of \$0.09 per \$100 of assessed value, for a total combined tax rate of \$0.16 per \$100. Tax rates for the 2018 tax year were \$0.08 per \$100 for maintenance and operations and \$0.09 per \$100 for debt service for a total of \$0.17 per \$100 of assessed value.

## **Basic Financial Statements**



*First Colony Municipal Utility District No. 10*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*July 31, 2019*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>					
Cash	\$ 2,909	\$ 58,973	\$ 61,882	\$ -	\$ 61,882
Investments	1,668,577	2,121,929	3,790,506		3,790,506
Taxes receivable, net	6,785	12,099	18,884		18,884
Due from City of Sugar Land		120,621	120,621		120,621
Internal balances	463	(463)			
Accrued interest receivable		2,488	2,488		2,488
Capital assets not being depreciated				2,643,481	2,643,481
Capital assets, net				2,364,629	2,364,629
<b>Total Assets</b>	<b>\$ 1,678,734</b>	<b>\$ 2,315,647</b>	<b>\$ 3,994,381</b>	<b>5,008,110</b>	<b>9,002,491</b>
<b>Deferred Outflows of Resources</b>					
Deferred difference on refunding				850,156	850,156
<b>Liabilities</b>					
Accounts payable	\$ 7,949	\$ 219	\$ 8,168		8,168
Other payables		5,244	5,244		5,244
Accrued interest payable				192,464	192,464
Long-term debt					
Due within one year				745,000	745,000
Due after one year				12,420,172	12,420,172
<b>Total Liabilities</b>	<b>7,949</b>	<b>5,463</b>	<b>13,412</b>	<b>13,357,636</b>	<b>13,371,048</b>
<b>Deferred Inflows of Resources</b>					
Deferred City of Sugar Land tax rebate		120,621	120,621	(120,621)	
Deferred property taxes	6,785	12,099	18,884	(18,884)	
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Restricted		2,177,464	2,177,464	(2,177,464)	
Unassigned	1,664,000		1,664,000	(1,664,000)	
<b>Total Fund Balances</b>	<b>1,664,000</b>	<b>2,177,464</b>	<b>3,841,464</b>	<b>(3,841,464)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,678,734</b>	<b>\$ 2,315,647</b>	<b>\$ 3,994,381</b>		
<b>Net Position</b>					
Net investment in capital assets				737,854	737,854
Restricted for debt service				2,117,720	2,117,720
Unrestricted				(6,373,975)	(6,373,975)
<b>Total Net Position</b>				<b>\$ (3,518,401)</b>	<b>\$ (3,518,401)</b>

See notes to basic financial statements.

*First Colony Municipal Utility District No. 10*

*Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended July 31, 2019*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Property taxes	\$ 393,927	\$ 446,384	\$ 840,311	\$ (11,133)	\$ 829,178
Penalties and interest		16,212	16,212	(2,748)	13,464
City of Sugar Land tax rebate		661,718	661,718	120,621	782,339
Investment earnings	34,167	36,116	70,283		70,283
Total Revenues	428,094	1,160,430	1,588,524	106,740	1,695,264
<b>Expenditures/Expenses</b>					
Operating and administrative					
Professional fees	47,514		47,514		47,514
Contracted services	16,500	22,750	39,250		39,250
Administrative	15,453	3,413	18,866		18,866
Other	4,088		4,088		4,088
Debt service					
Principal		705,000	705,000	(705,000)	
Interest and fees		475,187	475,187	86,136	561,323
Depreciation and amortization				99,036	99,036
Total Expenditures/Expenses	83,555	1,206,350	1,289,905	(519,828)	770,077
<b>Revenues Over/(Under) Expenditures</b>	344,539	(45,920)	298,619	(298,619)	
<b>Change in Net Position</b>				925,187	925,187
Fund Balance/Net Position					
Beginning of the year	1,319,461	2,223,384	3,542,845	(7,986,433)	(4,443,588)
<b>End of the year</b>	<b>\$ 1,664,000</b>	<b>\$ 2,177,464</b>	<b>\$ 3,841,464</b>	<b>\$ (7,359,865)</b>	<b>\$ (3,518,401)</b>

See notes to basic financial statements.

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***First Colony Municipal Utility District No. 10***  
***Notes to Basic Financial Statements***  
***July 31, 2019***

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

The accounting policies of First Colony Municipal Utility District No. 10 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated November 2, 2004, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on November 29, 2004 and the first bonds were issued on September 1, 2007.

The District’s primary activities include construction of water, sewer, drainage, park and recreational facilities. The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Note 8, the District transfers the water and sewer facilities to the City of Sugar Land for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary sources of revenue for debt service is property taxes and tax rebates from the City of Sugar Land. Expenditures include costs incurred in assessing and collecting these taxes.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Use of Restricted Resources**

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

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At July 31, 2019, an allowance of \$11,356 was provided for possible uncollectible property taxes.

**Interfund Activity**

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

**Capital Assets**

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

Depreciable capital assets, which primarily consist of infrastructure, parks and recreational facilities and connections fees paid to the City of Sugar Land, are depreciated or amortized using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Parks and recreational facilities	20 years
Connection fees	Remaining life of contract

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Deferred Inflows and Outflows of Financial Resources (continued)**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**Fund Balances – Governmental Funds (continued)**

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.



*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

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

Total fund balance, governmental funds	\$	3,841,464
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 5,790,323	
Less accumulated depreciation/amortization	<u>(782,213)</u>	
Change due to capital assets		5,008,110

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

		850,156
--	--	---------

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

Bonds payable, net	(13,165,172)	
Interest payable on bonds	<u>(192,464)</u>	
Change due to long-term debt		(13,357,636)

Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds. The difference consists of:

Deferred City of Sugar Land tax rebate	120,621	
Deferred property taxes and related penalties and interest	<u>18,884</u>	
Change due to deferred revenues		139,505

Total net position - governmental activities	\$	<u><u>(3,518,401)</u></u>
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*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

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

Net change in fund balances - total governmental funds	\$	298,619
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

Property taxes and related penalties and interest	\$ (13,881)	
City of Sugar Land tax rebate	<u>120,621</u>	
		106,740

In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.	(99,036)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Principal payments	705,000	
Interest expense accrual	<u>(86,136)</u>	
		618,864

Change in net position of governmental activities	<u>\$</u>	<u>925,187</u>
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**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**Investments**

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

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

As of July 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,668,577	AAAm	35 days
	Debt Service	2,121,929		
		<u>\$ 3,790,506</u>		

**TexPool**

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

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

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

**TexPool (continued)**

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 463	Maintenance tax collections not remitted as of year end

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

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2019, is as follows:

	Beginning Balances	Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 2,643,481	\$ -	\$ 2,643,481
Capital assets being depreciated/amortized			
Infrastructure	2,085,447		2,085,447
Parks and recreational facilities	443,365		443,365
Connection fees	618,030		618,030
	<u>3,146,842</u>		<u>3,146,842</u>
Less accumulated depreciation/amortization			
Infrastructure	(402,004)	(56,267)	(458,271)
Parks and recreational facilities	(198,769)	(22,168)	(220,937)
Connection fees	(82,404)	(20,601)	(103,005)
	<u>(683,177)</u>	<u>(99,036)</u>	<u>(782,213)</u>
Subtotal depreciable capital assets, net	<u>2,463,665</u>	<u>(99,036)</u>	<u>2,364,629</u>
Capital assets, net	<u>\$ 5,107,146</u>	<u>\$ (99,036)</u>	<u>\$ 5,008,110</u>

Depreciation and amortization expense for the current year was \$99,036.

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 12,870,000
Unamortized discounts	(76,810)
Unamortized premium	371,982
	<u>\$ 13,165,172</u>
Due within one year	<u>\$ 745,000</u>

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 6 – Long-Term Debt (continued)**

The District’s bonds payable at July 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2007	\$ 220,000	\$ 5,700,000	4.00% - 5.00%	September 1, 2009/2019	September 1, March 1	September 1, 2017
2008	150,000	3,900,000	5.75% - 6.40%	September 1, 2016/2019	September 1, March 1	September 1, 2018
2009	720,000	4,280,000	3.00% - 5.00%	September 1, 2011/2031	September 1, March 1	September 1, 2019
2010 Park	2,150,000	2,750,000	3.00% - 4.50%	September 1, 2011/2031	September 1, March 1	September 1, 2020
2015 Refunding	2,855,000	3,020,000	2.00% - 4.00%	September 1, 2016/2031	September 1, March 1	September 1, 2023
2016 Refunding	3,875,000	3,915,000	2.00% - 4.00%	September 1, 2017/2031	September 1, March 1	September 1, 2025
2016A Refunding	2,900,000	3,000,000	2.76%	September 1, 2017/2031	September 1, March 1	September 1, 2025
	<u>\$ 12,870,000</u>					

The Series 2016A Refunding Bonds issued in prior years were issued to advance refund portions of the District’s Series 2009 bonds. Since the bonds were not yet subject to redemption, the District defeased them by placing proceeds of the bonds in an escrow account with an escrow agent and irrevocably pledging the escrow account to the payment of future debt service payments. Accordingly, the defeased bonds are not included in the District’s financial statements. The outstanding principal of defeased bonds is \$2,620,000 at July 31, 2019.

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

At July 31, 2019, the District had authorized but unissued bonds in the amount of \$4,200,000 for water, sewer and drainage facilities; \$4,500,000 for park and recreational facilities; and \$8,085,000 for refunding purposes.

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 6 – Long-Term Debt (continued)**

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

Bonds payable, beginning of year	\$ 13,575,000
Bonds retired	<u>(705,000)</u>
Bonds payable, end of year	<u>\$ 12,870,000</u>

As of July 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 745,000	\$ 439,355	\$ 1,184,355
2021	785,000	410,062	1,195,062
2022	825,000	382,055	1,207,055
2023	865,000	352,860	1,217,860
2024	900,000	325,546	1,225,546
2025	935,000	296,252	1,231,252
2026	980,000	263,531	1,243,531
2027	1,020,000	229,227	1,249,227
2028	1,065,000	193,117	1,258,117
2029	1,110,000	154,976	1,264,976
2030	1,155,000	113,964	1,268,964
2031	1,215,000	69,931	1,284,931
2032	1,270,000	23,657	1,293,657
	<u>\$ 12,870,000</u>	<u>\$ 3,254,531</u>	<u>\$ 16,124,531</u>

**Note 7 – Property Taxes**

On February 5, 2005, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.75 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.17 per \$100 of assessed value, of which \$0.08 was allocated to maintenance and operations and \$0.09 was allocated to debt service. The resulting tax levy was \$833,434 on the adjusted taxable value of \$490,255,205.

*First Colony Municipal Utility District No. 10*  
*Notes to Basic Financial Statements*  
*July 31, 2019*

**Note 7 – Property Taxes (continued)**

Net taxes receivable, at July 31, 2019, consisted of the following:

Current year taxes receivable	\$ 11,501
Prior years taxes receivable	15,082
Less allowance for uncollectible accounts	<u>(11,356)</u>
	15,227
Penalty and interest receivable	<u>3,657</u>
Net property taxes receivable	<u>\$ 18,884</u>

**Note 8 – Utility Agreement with the City of Sugar Land**

On March 2, 2004, the District entered into a utility agreement with the City of Sugar Land (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system. The term of the agreement is 40 years.

The City provides service to all users in the District. Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City is obligated to pay the District the 50% of the ad valorem taxes collected by the City on property within the District after deducting the costs of collection. During the current year, the District recognized \$782,339 in revenue from tax rebates from the City.

**Note 9 – Risk Management**

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



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## **Required Supplementary Information**

*First Colony Municipal Utility District No. 10  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended July 31, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 362,785	\$ 393,927	\$ 31,142
Investment earnings	24,000	34,167	10,167
Total Revenues	<u>386,785</u>	<u>428,094</u>	<u>41,309</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	47,750	47,514	236
Contracted services	17,100	16,500	600
Repairs and maintenance	28,500		28,500
Administrative	23,994	15,453	8,541
Other	2,730	4,088	(1,358)
Total Expenditures	<u>120,074</u>	<u>83,555</u>	<u>36,519</u>
<b>Revenues Over Expenditures</b>	266,711	344,539	77,828
<b>Fund Balance</b>			
Beginning of the year	1,319,461	1,319,461	
<b>End of the year</b>	<u>\$ 1,586,172</u>	<u>\$ 1,664,000</u>	<u>\$ 77,828</u>

*First Colony Municipal Utility District No. 10*  
*Notes to Required Supplementary Information*  
*July 31, 2019*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**First Colony Municipal Utility District No. 10**

**TSI-1. Services and Rates**

July 31, 2019

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

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

2. Retail Service Providers N/A

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

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

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

District employs winter averaging for wastewater usage?  Yes  No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

***First Colony Municipal Utility District No. 10***

***TSI-1. Services and Rates***

***July 31, 2019***

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

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

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

Is the District located entirely within one county? Yes  No

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

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

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

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

ETJs in which the District is located: \_\_\_\_\_

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.



*First Colony Municipal Utility District No. 10  
 TSI-2 General Fund Expenditures  
 For the Year Ended July 31, 2019*

Professional fees		
Legal	\$	37,196
Audit		9,750
Engineering		568
		<u>47,514</u>
Contracted services		
Bookkeeping		<u>16,500</u>
Administrative		
Directors fees		3,150
Printing and office supplies		876
Insurance		10,147
Other		1,280
		<u>15,453</u>
Other		<u>4,088</u>
Total expenditures	\$	<u><u>83,555</u></u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10*  
*TSI-3. Investments*  
*July 31, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,668,577
Debt Service			
TexPool	Variable	N/A	<u>2,121,929</u>
Total - All Funds			<u>\$ 3,790,506</u>

See accompanying auditors' report.

**First Colony Municipal Utility District No. 10**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2019**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 10,225	\$ 16,135	\$ 26,360	
Adjustments	(1,718)	(2,539)	(4,257)	
Adjusted Receivable	8,507	13,596	22,103	
2018 Original Tax Levy	395,325	444,741	840,066	
Adjustments	(3,121)	(3,511)	(6,632)	
Adjusted Tax Levy	392,204	441,230	833,434	
Total to be accounted for	400,711	454,826	855,537	
Tax collections				
Current year	386,792	435,141	821,933	
Prior years	7,134	11,243	18,377	
Total Collections	393,926	446,384	840,310	
Taxes Receivable, End of Year	<u>\$ 6,785</u>	<u>\$ 8,442</u>	<u>\$ 15,227</u>	
Taxes Receivable, By Years				
2018	\$ 5,412	\$ 6,089	\$ 11,501	
2017	735	1,011	1,746	
2016	349	815	1,164	
2015 and prior	289	527	816	
Taxes Receivable, End of Year	<u>\$ 6,785</u>	<u>\$ 8,442</u>	<u>\$ 15,227</u>	
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations				
Land	\$ 158,007,840	\$ 153,316,140	\$ 151,279,310	\$ 132,995,410
Improvements	411,693,410	384,515,908	371,095,820	318,916,060
Personal Property	67,178,670	66,476,703	64,056,750	58,790,210
Exemptions	(146,624,715)	(141,572,595)	(139,891,005)	(103,504,980)
Total Property Valuations	<u>\$ 490,255,205</u>	<u>\$ 462,736,156</u>	<u>\$ 446,540,875</u>	<u>\$ 407,196,700</u>
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.08	\$ 0.08	\$ 0.06	\$ 0.09
Debt service tax rates	0.09	0.11	0.14	0.16
Total Tax Rates per \$100 Valuation	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.20</u>	<u>\$ 0.25</u>
Adjusted Tax Levy:	<u>\$ 833,434</u>	<u>\$ 879,199</u>	<u>\$ 893,082</u>	<u>\$ 1,017,992</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.62%</u>	<u>99.80%</u>	<u>99.87%</u>	<u>99.99%</u>

\* Maximum Maintenance Tax Rate Approved by Voters: \$0.75 on February 5, 2005

\*\* Calculated as taxes collected for a tax year divided by taxes levied for that tax year.  
See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2007--by Years  
 July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
<u>2020</u>	<u>\$ 220,000</u>	<u>\$ 5,362</u>	<u>\$ 225,362</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2008--by Years*  
*July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
<u>2020</u>	<u>\$ 150,000</u>	<u>\$ 4,800</u>	<u>\$ 154,800</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2009--by Years  
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 160,000	\$ 26,745	\$ 186,745
2021	175,000	19,958	194,958
2022	185,000	12,485	197,485
2023	200,000	4,300	204,300
	<u>\$ 720,000</u>	<u>\$ 63,488</u>	<u>\$ 783,488</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2010 Park--by Years  
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 105,000	\$ 88,359	\$ 193,359
2021	110,000	84,394	194,394
2022	120,000	79,931	199,931
2023	130,000	74,931	204,931
2024	140,000	69,531	209,531
2025	150,000	63,638	213,638
2026	160,000	57,244	217,244
2027	170,000	50,331	220,331
2028	185,000	42,788	227,788
2029	195,000	34,591	229,591
2030	210,000	25,731	235,731
2031	230,000	16,020	246,020
2032	245,000	5,451	250,451
	<u>\$ 2,150,000</u>	<u>\$ 692,940</u>	<u>\$ 2,842,940</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2015 Refunding--by Years  
 July 31, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 60,000	\$ 92,113	\$ 152,113
2021	60,000	90,913	150,913
2022	230,000	85,713	315,713
2023	235,000	78,469	313,469
2024	235,000	72,888	307,888
2025	240,000	66,350	306,350
2026	245,000	59,075	304,075
2027	250,000	51,650	301,650
2028	250,000	43,994	293,994
2029	255,000	35,944	290,944
2030	260,000	26,600	286,600
2031	265,000	16,100	281,100
2032	270,000	5,400	275,400
	<u>\$ 2,855,000</u>	<u>\$ 725,206</u>	<u>\$ 3,580,206</u>

See accompanying auditors' report.



*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2016 Refunding--by Years  
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 20,000	\$ 142,350	\$ 162,350
2021	410,000	136,000	546,000
2022	255,000	126,025	381,025
2023	265,000	118,225	383,225
2024	275,000	110,125	385,125
2025	285,000	100,300	385,300
2026	295,000	88,700	383,700
2027	310,000	76,600	386,600
2028	325,000	63,900	388,900
2029	335,000	50,700	385,700
2030	350,000	37,000	387,000
2031	365,000	22,700	387,700
2032	385,000	7,700	392,700
	<u>\$ 3,875,000</u>	<u>\$ 1,080,325</u>	<u>\$ 4,955,325</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2016A Refunding--by Years  
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 30,000	\$ 79,626	\$ 109,626
2021	30,000	78,798	108,798
2022	35,000	77,901	112,901
2023	35,000	76,935	111,935
2024	250,000	73,002	323,002
2025	260,000	65,964	325,964
2026	280,000	58,512	338,512
2027	290,000	50,646	340,646
2028	305,000	42,435	347,435
2029	325,000	33,741	358,741
2030	335,000	24,633	359,633
2031	355,000	15,111	370,111
2032	370,000	5,106	375,106
	<u>\$ 2,900,000</u>	<u>\$ 682,410</u>	<u>\$ 3,582,410</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 10  
 TSI-5. Long-Term Debt Service Requirements  
 All Bonded Debt Series--by Years  
 July 31, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 745,000	\$ 439,355	\$ 1,184,355
2021	785,000	410,062	1,195,062
2022	825,000	382,055	1,207,055
2023	865,000	352,860	1,217,860
2024	900,000	325,546	1,225,546
2025	935,000	296,252	1,231,252
2026	980,000	263,531	1,243,531
2027	1,020,000	229,227	1,249,227
2028	1,065,000	193,117	1,258,117
2029	1,110,000	154,976	1,264,976
2030	1,155,000	113,964	1,268,964
2031	1,215,000	69,931	1,284,931
2032	1,270,000	23,657	1,293,657
	<u>\$ 12,870,000</u>	<u>\$ 3,254,531</u>	<u>\$ 16,124,531</u>

See accompanying auditors' report.

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*First Colony Municipal Utility District No. 10*  
*TSI-6. Change in Long-Term Bonded Debt*  
*July 31, 2019*

	Bond Issue			
	Series 2007	Series 2008	Series 2009	Series 2010 Park
Interest rate	4.75% - 4.90%	5.75% - 6.40%	3.00% - 5.00%	3.00% - 4.45%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/09 - 9/1/19	9/1/16 - 9/1/19	9/1/11 - 9/1/31	9/1/11 - 9/1/31
Beginning bonds outstanding	\$ 430,000	\$ 295,000	\$ 870,000	\$ 2,245,000
Bonds retired	(210,000)	(145,000)	(150,000)	(95,000)
Ending bonds outstanding	<u>\$ 220,000</u>	<u>\$ 150,000</u>	<u>\$ 720,000</u>	<u>\$ 2,150,000</u>
Interest paid during fiscal year	<u>\$ 15,870</u>	<u>\$ 14,095</u>	<u>\$ 32,870</u>	<u>\$ 91,925</u>
Paying agent's name and city	Wells Fargo Bank, N.A., Houston, Texas			
Series 2007, 2008, 2009, 2010 Park Series 2015 Refunding and Series 2016 Refunding	Regions Bank, Dallas, Texas			
Series 2016A Refunding	Amegy Bank, Houston, Texas			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 18,080,000	\$ 7,250,000	\$ 9,040,000	
Amount Issued	(13,880,000)	(2,750,000)	(955,000)	
Remaining To Be Issued	<u>\$ 4,200,000</u>	<u>\$ 4,500,000</u>	<u>\$ 8,085,000</u>	

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

Debt Service Fund cash and investments balances as of July 31, 2019: \$ 2,180,902

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,240,349

See accompanying auditors' report.

Bond Issue			
Series 2015 Refunding	Series 2016 Refunding	Series 2016A Refunding	Totals
2.00% - 4.00% 9/1; 3/1 9/1/16 - 9/1/31	2.00% - 4.00% 9/1; 3/1 9/1/17 - 9/1/31	2.76% 9/1; 3/1 9/1/17 - 9/1/31	
\$ 2,910,000	\$ 3,895,000	\$ 2,930,000	\$ 13,575,000
(55,000)	(20,000)	(30,000)	(705,000)
<u>\$ 2,855,000</u>	<u>\$ 3,875,000</u>	<u>\$ 2,900,000</u>	<u>\$ 12,870,000</u>
<u>\$ 93,263</u>	<u>\$ 142,750</u>	<u>\$ 80,454</u>	<u>\$ 471,227</u>

*First Colony Municipal Utility District No. 10*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 393,927	\$ 345,645	\$ 267,280	\$ 364,798	\$ 532,437
Investment earnings	34,167	17,567	6,408	2,007	1,729
Total Revenues	428,094	363,212	273,688	366,805	534,166
Expenditures					
Operating and administrative					
Professional fees	47,514	49,261	51,648	66,125	60,720
Contracted services	16,500	15,375	16,675	16,313	16,725
Repairs and maintenance		66,400	3,050	21,187	
Administrative	15,453	16,270	15,327	17,073	19,102
Other	4,088	6,226	1,507	4,127	4,302
Capital outlay				949,494	
Interest				140,304	
Total Expenditures	83,555	153,532	88,207	1,214,623	100,849
Revenues Over/(Under) Expenditures	\$ 344,539	\$ 209,680	\$ 185,481	\$ (847,818)	\$ 433,317

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
92%	95%	98%	99%	100%
8%	5%	2%	1%	*
100%	100%	100%	100%	100%
11%	14%	19%	18%	11%
4%	4%	6%	4%	3%
	18%	1%	6%	
4%	4%	6%	5%	4%
1%	2%	1%	1%	1%
			259%	
			38%	
20%	42%	33%	331%	19%
80%	58%	67%	(231%)	81%



*First Colony Municipal Utility District No. 10*

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

*For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 446,384	\$ 523,091	\$ 622,106	\$ 648,143	\$ 830,722
Penalties and interest	16,212	15,202	8,436	7,531	10,721
City of Sugar Land tax rebate	661,718	740,654	542,467	617,122	512,403
Accrued interest on bonds sold				11,149	4,267
Investment earnings	36,116	21,101	9,485	4,284	3,404
Total Revenues	<u>1,160,430</u>	<u>1,300,048</u>	<u>1,182,494</u>	<u>1,288,229</u>	<u>1,361,517</u>
Expenditures					
Tax collection services	26,163	25,389	21,405	24,419	23,263
Debt service					
Principal	705,000	710,000	590,000	495,000	465,000
Interest and fees	475,187	505,254	532,068	636,010	762,130
Debt issuance costs			84,559	117,567	109,053
Payment to refunded bond escrow agent				38,000	68,000
Total Expenditures	<u>1,206,350</u>	<u>1,240,643</u>	<u>1,228,032</u>	<u>1,310,996</u>	<u>1,427,446</u>
Revenues Over/(Under) Expenditures	<u>\$ (45,920)</u>	<u>\$ 59,405</u>	<u>\$ (45,538)</u>	<u>\$ (22,767)</u>	<u>\$ (65,929)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
38%	40%	53%	50%	61%
1%	1%	1%	1%	1%
58%	57%	46%	48%	38%
			1%	*
3%	2%	*	*	*
100%	100%	100%	100%	100%
2%	2%	2%	2%	2%
61%	55%	50%	38%	34%
41%	39%	45%	49%	56%
		7%	9%	8%
			3%	5%
104%	96%	104%	101%	105%
(4%)	4%	(4%)	(1%)	(5%)

***First Colony Municipal Utility District No. 10***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended July 31, 2019***

Complete District Mailing Address: 3200 SW Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: 713-860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 22, 2018  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Rodney L. Craig	05/16 - 05/20	\$ 750	\$ 8	President
Zac Cypert	05/16 - 05/20	750	8	Vice President
Stephen Higgins	05/17 - 05/20	300	3	Assistant Vice President
John Peper	05/18 - 05/22	900	10	Secretary
Marta Mohan	05/18 - 05/22	450	5	Assistant Secretary
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2005	\$ 37,196		Attorney
McLennan & Associates, LP	2005	17,722		Bookkeeper
Bob Leared Interests, Inc.	2005	10,021		Tax Collector
Fort Bend Central Appraisal District	Legislation	6,404		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2005	5,807		Delinquent Tax Attorney
Costello, Inc.	2005	568		Engineer
McGrath & Co., PLLC	2011	9,750		Auditor
Robert W. Baird & Co. Incorporated	2005			Financial Advisor

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

**APPENDIX B**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

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

Email:

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

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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