

# OFFICIAL STATEMENT DATED MAY 31, 2017

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

*The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."*

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

**Ratings: S&P Global Ratings (NPFG Insured) . . . "AA-" (CreditWatch negative)  
Moody's Investors Service (Underlying) . . . "A3"  
See "BOND INSURANCE" and "RATINGS" herein**

**\$2,140,000**

## **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23 (A Political Subdivision of the State of Texas located within Fort Bend County, Texas) UNLIMITED TAX BONDS, SERIES 2017B**

**Dated: June 1, 2017**

**Due: September 1**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from June 1, 2017, and is payable on March 1, 2018 (nine-month interest payment) and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by National Public Finance Guarantee Corporation ("NPFG" or the "Insurer").



### **MATURITY SCHEDULE CUSIP Prefix (a): 34679R**

<b>Principal Amount</b>	<b>Maturity (Due September 1)</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield (b)</b>	<b>CUSIP Suffix (a)</b>
\$750,000	2038(c)	3.375%	3.50%	NL9
750,000	2039(c)	3.500	3.53	NM7
640,000	2040(c)	3.500	3.58	NN5

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor, nor the Underwriter take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter (as defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) The Bonds are subject to redemption prior to maturity at the option of Fort Bend County Municipal Utility District No. 23 (the "District"), as a whole or in part, on September 1, 2024, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the fifteenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") and recreational facilities to serve the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$90,775,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System, \$13,245,000 principal amount of unlimited tax refunding bonds, and \$8,800,000 principal amount of unlimited tax bonds for recreational facilities. Following the issuance of the Bonds, \$17,890,000 principal amount of unlimited tax bonds for the acquisition or construction of the System, \$8,427,045.52 principal amount of unlimited tax refunding bonds, and \$3,250,000 principal amount of unlimited tax bonds for recreational facilities authorized by the District's voters will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS – Source of Payment." Neither the State of Texas, the City of Houston, Texas, the City of Missouri City, Texas, Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, the City of Missouri City, Texas, or Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things 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 District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about June 29, 2017.



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APPENDIX A - LOCATION MAP

APPENDIX B - ANNUAL FINANCIAL REPORT

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

## 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 the Financial Advisor.

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will" or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important investment considerations and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

National Public Finance Guarantee ("National") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, National 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 National supplied by National and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

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

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

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, which was tendered by Raymond James & Associates, Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the inside cover page hereof at a price of 97.225322% of the principal amount thereof, plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.583057% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Marketability**

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

The prices and other terms respecting 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 price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

### **Securities Laws**

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

## **BOND INSURANCE**

### **National Public Finance Guarantee Corporation Disclosure**

The following information has been furnished by National Public Finance Guarantee Corporation ("National") for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Financial Guaranty Insurance Policy issued by National (the "Policy"). Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds. A specimen of the Policy is attached hereto as APPENDIX C.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds

as such payments shall become due but shall not be so paid (except that 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 guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

### **National Public Finance Guarantee Corporation**

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Territory of Guam and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

### **Regulation**

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **Financial Strength Ratings of National**

National's current financial strength ratings from the major rating agencies are summarized below:

<u>Agency</u>	<u>Ratings</u>	<u>Outlook</u>
S&P	AA-	On June 6, 2017, S&P placed its 'AA-' financial strength rating on CreditWatch with negative implications
Moody's	A3	Negative
KBRA	AA+	Stable



Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. National does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

### **Recent Litigation**

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

### **National Financial Information**

Based upon statutory financials, as of March 31, 2017, National had total net admitted assets of \$4.4 billion (unaudited), total liabilities of \$1.6 billion (unaudited), and total surplus of \$2.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2016, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2016, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

### **Incorporation of Certain Documents by Reference**

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016; and

MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (MBIA Inc.'s Quarterly Report on Form 10-K for the quarter ended March 31, 2017 and MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

**DISCLOSURE OF GUARANTY FUND NONPARTICIPATION:** In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

### **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 Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory 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 prepayment of the Bonds by the District which is recovered by the District 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 Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the 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 Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the 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 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 Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "NO MATERIAL ADVERSE CHANGE," the rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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

### **RATINGS**

S&P Global Ratings ("S&P") is a business unit of Standard & Poor's Financial Services LLC. 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 Bonds are expected to receive an insured rating of “AA-” (CreditWatch negative) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody’s Investors Service, Inc. (“Moody’s”), is “A3.”

An explanation of the significance of the foregoing ratings may be obtained only from S&P and Moody’s. The foregoing ratings express only the view of S&P and Moody’s 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 the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P or Moody’s, if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of such 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 Moody’s and S&P. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

## OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

### THE BONDS

The Issuer .....	Fort Bend County Municipal Utility District No. 23 (the “District”), is a political subdivision of the State of Texas located within Fort Bend County, Texas. See “THE DISTRICT - General.”
Description .....	<p>The \$2,140,000 Unlimited Tax Bonds, Series 2017B (the “Bonds”) are being issued pursuant to a resolution (the “Bond Resolution”) authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are dated June 1, 2017, and mature on September 1 in the years and principal amounts shown on the cover page of this Official Statement under the heading “MATURITY SCHEDULE.” Interest on the Bonds accrues from June 1, 2017, at the rates shown on the cover hereof, and is payable on March 1, 2018 (nine-month interest payment), and on each September 1 and March 1 thereafter (each, an “Interest Payment Date”) until maturity or prior redemption. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2024, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. See “THE BONDS.”</p>
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Use of Proceeds .....	<p>Proceeds of the sale of the Bonds, together with surplus construction funds of the District, will be used by the District to finance the acquisition or construction of (a) the District's pro-rata share of (1) Ground Storage Tank No. 2 for Water Plant No. 1, (2) booster pump variable frequency drive at Water Plant No. 1, (3) recoating of Water Plant Nos. 1 and 2; (b) water distribution, wastewater collection and storm drainage facilities to serve Cambridge Falls, Sections 6 and 9; and (c) engineering fees related to the foregoing projects. The District will also use the proceeds of the sale of the Bonds to pay, among other items, administrative and issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and the Attorney General of Texas and certain financing costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."</p>
Payment Record .....	<p>The Bonds constitute the fifteenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system (the "System") and recreational facilities to serve the District. The District has previously issued Unlimited Tax Bonds, Series 1984 (the "Series 1984 Bonds"), Unlimited Tax Bonds, Series 1995 (the "Series 1995 Bonds"), Unlimited Tax Bonds, Series 1998 (the "Series 1998 Bonds"), Unlimited Tax Bonds, Series 1999 (the "Series 1999 Bonds") Unlimited Tax Bonds, Series 2001 (the "Series 2001 Bonds"), Unlimited Tax Bonds, Series 2004 (the "Series 2004 Bonds"), Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"), Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"), Unlimited Tax Bonds, Series 2008A (the "Series 2008A Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2015A (the "Series 2015A Bonds") and Unlimited Tax Bonds, Series 2015B (the "Series 2015B Bonds") for such purposes. The District has also issued Unlimited Tax Refunding Bonds, Series 1994 (the "Series 1994 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2004 (the "Series 2004 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2013 (the "Series 2013 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2017 (the "Series 2017 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2017A (the "Series 2017A Refunding Bonds") to refund certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such</p>

bonds that the District has issued as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the total amount of the Prior Bonds that had not been previously retired by the District was \$60,350,000 (the “Outstanding Bonds”). Upon the issuance of the Bonds, the District’s total direct bonded indebtedness outstanding, consisting of the Outstanding Bonds that the District will not have retired as of such date, plus the Bonds, will be \$62,490,000. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS”), the District expects to finance its portion of the cost of acquisition or construction of additional components of the System, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Authorized But Unissued Bonds .....	After issuance of the Bonds, \$17,890,000 bonds for waterworks, wastewater and drainage facilities, \$3,250,000 for recreational facilities, and \$8,427,045.52 for refunding purposes will remain authorized but unissued. See “THE BONDS - Issuance of Additional Debt.”
Municipal Bond Insurance .....	National Public Finance Guarantee Corporation (“National”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Rating .....	S&P Global Ratings (National insured) “AA-” (CreditWatch negative). Moody’s Investors Service, Inc. (Underlying)...“A3.” See “BOND INSURANCE” and “RATINGS.”
Bond Counsel .....	Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

## THE DISTRICT

Description .....	Fort Bend County Municipal Utility District No. 23, a political subdivision of the State of Texas, was created by the Texas Water Commission, predecessor to the TCEQ, on February 15, 1978, and operates pursuant to Chapters 49 and 54 of the
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Texas Water Code. The District currently contains approximately 1,303 acres of land. The District is located entirely within Fort Bend County, Texas, approximately 20 miles southwest of the central business district of the City of Houston. The District is bounded on the south by State Highway 6, and is located west of Farm-to-Market Road 521, and east of the Fort Bend County Toll Road. The District lies within the Fort Bend Independent School District. Due to an adjustment of the City of Houston's extraterritorial jurisdiction on February 2, 2005, the District now lies in the extraterritorial jurisdiction of both the City of Houston and the City of Missouri City. See "THE DISTRICT - Authority" and - "Description," "AERIAL PHOTOGRAPH OF THE DISTRICT," and "APPENDIX A - LOCATION MAP."

Development of the District . . . . .

As of May 1, 2017, the District contained a total of 4,352 single-family homes, including 17 homes under construction. See "HOME BUILDING." The development of an aggregate of 4,441 single-family residential lots (an aggregate of approximately 1,139 acres) is complete within the District. The development of such 4,441 completed lots includes the construction of components of the System and street paving in Teal Run, Sections 1 through 18, Teal Run Court, Estates of Teal Run, Sections 1 through 6, Teal Run Meadows, Sections 1 through 3, Winfield Lakes, Sections 2 through 7 and 10, Andover Farms, Sections 1 through 6, and Cambridge Falls, Sections 1 through 9 as is enumerated in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." A Walgreens Drug Store that contains approximately 14,820 square feet of building area, a grocery store that contains approximately 11,904 square feet of building area and three retail shopping centers have been constructed on an approximately 12 acre tract of land located within the District. A gasoline service station and convenience store have been constructed on an approximately 1 acre site located within the District. A Jack-in-the-Box restaurant has been constructed on an approximately 0.6 acre site located within the District. A United States Post Office has been constructed on an approximately 2.4 acre site located within the District and the Fort Bend Independent School District (the "FBISD") owns a total of approximately 24 acres located within the District on which it has constructed on separate sites the Walter Moses Burton Elementary School and the Lulabelle Goodman Elementary School, all of which property is exempt from taxation by the District. Approximately 19 acres within the District contain recreational facilities. Approximately 40 undeveloped acres located within the District that are currently expected to be developed primarily into single-family residential lots the ownership of which is described below under the caption "Developer and Principal Land Owners" are available for future development. Since none of the owners of any of such currently undeveloped acres has any obligation to the District to develop any of such acres according to any timetable or at all, the District cannot represent whether or when the

development of any of such acres might be undertaken. The remaining acres that are contained within the District consist of drainage easements, detention ponds, rights-of-way, District wastewater and water plant sites, or are otherwise not available for future development.

The District financed its portion of the cost of (a) the acquisition or construction of the components of its System which serve Teal Run, Sections 1 through 18, Teal Run Court, Estates of Teal Run, Sections 1 through 6, Teal Run Meadows, Sections 1 through 3, Winfield Lakes, Sections 2 through 7 and 10, Andover Farms, Sections 1 through 6, Cambridge Falls, Sections 1 through 5, 7 and 8; and (b) the acquisition and construction of the M.R. Massey Park and Playground, Estates of Teal Run Amenity, Teal Run North Amenity, Teal Run Amenity, Winfield Lakes Park, Andover Farms Park, Detention Pond Drainage/Amenity Facilities to serve Cambridge Falls, enhancements to Teal Run Trail, Winfield Lakes Tennis Courts and Cambridge Falls Walking Trail, and other recreational facilities, and certain other facilities, with portions of the proceeds of the Prior Bonds and surplus funds. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS”), the District expects to finance its portion of the cost of acquisition or construction of additional components of the System, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Developer and Principal Land Owners . . . . .

The developer of Cambridge Falls within the District is Fresno Lakes, Ltd., a Texas limited partnership (“FLD”) whose general partner is Compass Land Development, L.L.C., a Texas limited liability corporation. FLD has completed the development of Cambridge Falls, Sections 1 through 9 described above (aggregating approximately 177 acres subdivided into 620 single-family residential lots). D. R. Horton Homes is currently constructing homes in Cambridge Falls as is described below under the caption “Home Building.” FLD also owns approximately 28 acres of currently undeveloped land within the District which it expects to develop into a total of approximately 156 single-family residential lots in the future. FLD is under no obligation to the District to develop any of its currently undeveloped acres according to any timetable or at all, and thus the District cannot predict whether, or when, the development of any of such acres might be undertaken.

Hannover Estates, Ltd. (“HEL”) owns approximately 12 acres of currently undeveloped land located within the District, approximately 6 acres of which are expected to be developed in the future into single-family residential lots, and



approximately 6 acres of which are expected to be utilized for future commercial development. However, HEL is under no obligation to the District to develop any of its currently undeveloped acres according to any timetable or at all, and thus the District cannot predict whether, or when, the development of any such acres might be undertaken.

Reference is sometimes made in this Official Statement to FLD as the “Developer.” See “FUTURE DEVELOPMENT.”

Home Building .....

According to FLD, D.R. Horton Homes is currently constructing homes in Cambridge Falls which range in size from approximately 1,570 to 2,545 square feet of living area and in sales price from approximately \$157,290 to \$210,000. Reference is sometimes made in this Official Statement to D.R. Horton Homes as the “Builder.”

**INVESTMENT CONSIDERATIONS**

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2016 Assessed Valuation .....		\$679,816,957(a)
(As of January 1, 2016)		
See "TAX DATA" and "TAX PROCEDURES."		
Direct Debt:     Outstanding Bonds .....	\$ 60,350,000	
The Bonds .....	<u>2,140,000</u>	
Total .....	\$ 62,490,000(b)	
Estimated Overlapping Debt .....	<u>\$ 23,883,283</u>	
Direct and Estimated Overlapping Debt .....	<u>\$ 86,373,283</u>	
Direct Debt Ratio		
: as a percentage of 2016 Assessed Valuation .....		9.19%
Direct and Estimated Overlapping Debt Ratio		
: as a percentage of 2016 Assessed Valuation .....		12.71%
Bond Fund Balance Estimated as of Delivery of the Bonds .....	\$ 6,337,411(c)	
General Fund Balance at April 27, 2017 .....	\$ 4,173,008	
Average Percentage of Total Tax Collections 2006-2015 .....	99.82%	
As of March 31, 2017.		
Percentage of Tax Collections 2016 Levy .....	97.14%	
(As of March 31, 2017. In process of collection.)		
2016 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax .....	\$0.64	
Maintenance tax .....	<u>0.25</u>	
Total .....		\$0.89/\$100 A.V.(d)
Average Annual Debt Service Requirements of the Bonds		
and the Outstanding Bonds (2018-2035) .....	\$ 4,205,937	
Maximum Annual Debt Service Requirement		
of the Bonds and the Outstanding Bonds (2034) .....	\$ 4,434,176	
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt		
Service Requirements of the Bonds and the Outstanding Bonds		
(2018-2035) at 95% Tax Collections		
Based Upon 2016 Assessed Valuation .....		\$0.66(d)
Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement of the Bonds and the		
Outstanding Bonds (2034) at 95% Tax Collections		
Based Upon 2016 Assessed Valuation .....		\$0.69(d)

Number of Single-Family Homes Within the District (including 17 homes under construction)  
as of May 1, 2017 .....

4,352

- (a) As of January 1, 2016, and comprises the District's 2016 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) See "DISTRICT DEBT." The District has timely paid all principal of and interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System and certain recreational facilities that are described in this Official Statement under the caption "THE SYSTEM," and other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2017. The District's remaining debt service requirements for 2017, which are due on September 1, 2017, total \$2,824,766, and include payments of principal of and interest on the Outstanding Bonds.
- (d) The District has levied a total tax of \$0.89 per \$100 of Assessed Valuation for 2016, consisting of debt service and maintenance tax components of \$0.64 and \$0.25 per \$100 of Assessed Valuation, respectively. See "TAX DATA - Tax Rate Calculations." As is stated in this Official Statement under the caption "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments," the District's 2016 total tax rate of \$0.89 per \$100 of Assessed Valuation is higher than the tax rate levied by some municipal utility districts in the Houston metropolitan area, although such total tax is within the range of the levies of municipal utility districts which are in stages of development comparable with the District. Moreover, as is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all units of government which levy taxes against the property located within the District is \$2.804 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the Houston metropolitan area, although such aggregate levies are within the range of the aggregate levies of municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and the District can make no representation that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

## **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**

### **\$2,140,000 UNLIMITED TAX BONDS, SERIES 2017B**

#### **INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 23 (the “District”) of its \$2,140,000 Unlimited Tax Bonds, Series 2017B (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, 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 the District upon request and payment of the costs of duplication thereof.

#### **THE BONDS**

##### **General**

The Bonds are dated and bear interest from June 1, 2017, with interest payable on March 1, 2018 (nine-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds are fully-registered bonds maturing on September 1 of the years and in the amounts shown under “MATURITY SCHEDULE” on the cover page of this Official Statement. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Paying Agent/Registrar,” or “Registrar”). Interest on the Bonds will be payable by check or draft, dated as of the interest payment date, and mailed by the Registrar to Registered Owners as shown on the records of the 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 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 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any 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 Participants, (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.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

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

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

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

### **Assignments, Transfers and Exchanges**

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. Any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. 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 owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Redemption Provisions**

The Bonds 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, 2024, or on any date thereafter, at a price equal to the principal amount 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 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 fewer than all of the Bonds are redeemed at any time, the particular Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds within one maturity are to be redeemed, the Registrar shall select the Bonds to be redeemed by lot or other method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

## **Replacement of Registrar**

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

## **Authority for Issuance**

The Bonds constitute the thirteenth installment of \$90,775,000 in unlimited tax bonds for waterworks, sanitary sewer and drainage facilities authorized by District voters at an election held within the District for that purpose on November 6, 2001. In addition, District voters have authorized \$13,245,000 unlimited tax refunding bonds for refunding purposes at an election held on May 7, 1994, and \$8,800,000 unlimited tax bonds for recreational facilities at an election held on May 13, 2006. Following the issuance of the Bonds, an aggregate of \$17,890,000 principal amount of unlimited tax bonds, \$8,427,045.52 unlimited tax refunding bonds and \$3,250,000 unlimited tax bonds for recreational facilities will remain authorized but unissued. See “Outstanding Bonds and Payment Record” and “Issuance of Additional Debt” below. The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207, Texas Government Code, as amended, Article XVI, Section 59 of the Texas Constitution and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

## **Outstanding Bonds and Payment Record**

The Bonds constitute the fifteenth series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, wastewater and storm drainage system (the “System”) and recreational facilities to serve the District. The District has previously issued Unlimited Tax Bonds, Series 1984 (the “Series 1984 Bonds”), Unlimited Tax Bonds, Series 1995 (the “Series 1995 Bonds”), Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 1999 (the “Series 1999 Bonds”) Unlimited Tax Bonds, Series 2001 (the “Series 2001 Bonds”), Unlimited Tax Bonds, Series 2004 (the “Series 2004 Bonds”), Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”), Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”), Unlimited Tax Bonds, Series 2008A (the “Series 2008A Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2015A (the “Series 2015A Bonds”) and Unlimited Tax Bonds, Series 2015B (the “Series 2015B Bonds”) for such purposes. The District has also issued Unlimited Tax Refunding Bonds, Series 1994 (the “Series 1994 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2004 (the “Series 2004 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2013 (the “Series 2013 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2014 (the “Series 2014 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2017 (the “Series 2017 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2017A (the “Series 2017A Refunding Bonds”) to refund certain outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds that the District has issued as the “Prior Bonds.” The District has timely paid all principal of and interest on the Prior Bonds when due. Before the issuance of the Bonds, the total amount of the Prior Bonds that had not been previously retired by the District was \$60,350,000 (the “Outstanding Bonds”). Upon the issuance of the Bonds, the District’s total direct bonded indebtedness outstanding, consisting of the Outstanding Bonds that the District will not have retired as of such date, plus the Bonds, will be \$62,490,000. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS”), the District expects to finance its portion of the cost of acquisition or construction of additional components of the System, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

## **Source of Payment**

The Outstanding Bonds and the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. 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, 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, and on additional bonds payable from taxes which may hereafter be issued, and Registrar fees. The Bonds are obligations solely of the District and are not obligations of the City of Houston, the City of Missouri City, Fort Bend County, the State of Texas, or any political subdivision or entity other than the District.

## **Issuance of Additional Debt**

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created and for refunding purposes. Following the issuance of the Bonds, the District will have the right to issue an additional \$17,890,000 bonds for waterworks, sanitary sewer, and drainage facilities as authorized by District voters at elections held on February 25, 1984, August 14, 1999, and November 6, 2001, \$8,427,045.52 bonds for refunding purposes, as approved by the District's voters at the election held on May 7, 1994, and \$3,250,000 bonds for recreational facilities as approved by the District voters on May 13, 2006. The Bond Resolution imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ). In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS"), the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. Because the District has not financed all components of its System necessary to complete construction of the System, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. In addition to the above-mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes, and tax anticipation notes without voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval.

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the \$17,890,000 authorized but unissued bonds will be adequate to finance the extension of water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve all of the remaining undeveloped portions of the District. However, if the cost of the additions to the System necessary to complete development of the District were to exceed current estimates, the amount of authorized but unissued bonds might not be sufficient to finance all such additions to the System. In such event, the District would be required to obtain voter authorization to issue additional bonds to complete the System at an election held for such purpose. See "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM."



The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

Under certain circumstances the District also is authorized to construct, develop and maintain roads. It is not anticipated at this time that the District will participate in such activities.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District adopted a master parks plan on February 23, 2006, and voters of the District have approved the issuance of \$8,800,000 park bonds on May 13, 2006. The District issued its Series 2008 Bonds and Series 2015B Bonds to finance recreational facilities. Before the District could issue additional parks and recreational facilities bonds payable from taxes, the following actions would be required: (a) approval of the park projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. When the District issues parks and recreational facilities bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has spent and intends to continue to spend surplus operating revenues for the maintenance and development of parks and other recreational facilities in the District. As of the date hereof, the construction of the M.R. Massey Park and Playground, Estates of Teal Run Amenity, Teal Run North Amenity, Teal Run Amenity, Winfield Lakes Park, Andover Farms Park, Detention Pond/Amenity Facilities to serve Cambridge Falls, enhancement to Teal Run Trail and Winfield Lakes tennis courts are complete. The construction of the Cambridge Falls walking trails is underway.

### **No Arbitrage**

The District certifies 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.

### **Annexation and Consolidation**

Due to an extraterritorial jurisdiction ("ETJ") swap between the City of Houston, Texas, and the City of Missouri City, Texas (each, a "City"), the District lies within the ETJ of the City of Houston and the City of Missouri City. Under Texas law, the District may be annexed in whole, but not in part, by either City without the District's consent, in which case the City must dissolve the District and assume the assets, functions and obligations of the District, including the Bonds, and any other bonded indebtedness of the District existing at the time of annexation. However, because the District is now in two ETJ's, the District would not dissolve unless both Cities have annexed the property in the District. No representation is made concerning the likelihood of annexation or the ability of either City to make debt service payments should annexation and dissolution occur.

The District has the right under current State law to select the ETJ in which it would like to be located, without the consent of either City.

The District has the right, if approved by the voters of the District, to consolidate with other districts and, in connection therewith, to provide for the consolidation of the District's assets (such as cash and its System) and liabilities (such as the Bonds and the Outstanding Bonds) with the assets and liabilities of the district or districts with which it is consolidating. No representation is made that the District will ever consolidate with another district.

### **Strategic Partnership**

The District entered into a Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") pursuant to Chapter 43 of the Texas Local Government Code on December 19, 2011. The SPA provides for a "limited purpose annexation" of that portion of the District within the City's extraterritorial jurisdiction that is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances and sales tax within the District. Residential development within the District is not subject to the limited purpose annexation. The SPA provides the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist if the land within the District were to be annexed for full or limited purposes by the City. The SPA also provides that the City will not annex the District for "full purposes" (a traditional municipal annexation) for at least thirty (30) years, which is 2041.

### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to observe and perform its covenants and obligations to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Even if 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 cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further 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. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below.

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

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as

the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

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

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

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

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

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

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

### **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the

United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

#### **Use and Distribution of Bond Proceeds**

Proceeds of the sale of the Bonds, together with surplus construction funds of the District, will be used by the District to finance the acquisition or construction of (a) the District's pro-rata share of (1) Ground Storage Tank No. 2 for Water Plant No. 1, (2) booster pump variable frequency drive at Water Plant No. 1, (3) recoating of Water Plant Nos. 1 and 2; (b) water distribution, wastewater collection and storm drainage facilities to serve Cambridge Falls, Sections 6 and 9; and (c) engineering fees related to the foregoing projects. The District will also use the proceeds of the sale of the Bonds to pay, among other items, administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas and certain financing costs related to the issuance of the Bonds.

#### District's Share

#### Construction Costs

##### A. Developer Contribution Items (a)

1.	Cambridge Falls, Section 6 Water, Wastewater and Drainage	\$ 800,877
2.	Cambridge Falls, Section 9 Water, Wastewater and Drainage	333,882
3.	Engineering and Testing	<u>239,733</u>
	Total Developer Contribution Items	\$1,374,492

B. District Items

1.	Water Plant No. 1 Ground Storage Tank No. 2	\$ 336,610
2.	Water Plant Nos. 1 and 2 Recoating	210,663
3.	Water Plant No. 1 Booster Pump Variable Frequency Drive	61,410
4.	Contingencies	60,868
5.	Engineering and Testing	<u>129,910</u>
	Total District Items	\$ 799,461
	Total Construction Costs	\$2,173,953
	Less Surplus Funds Applied	<u>(382,867)</u>
	TOTAL CONSTRUCTION COSTS	\$1,791,086

Non-Construction Costs

1.	Legal Fees	\$ 64,200
2.	Fiscal Agent Fees	42,800
3.	Developer Interest (b)	92,065
4.	Bond Discount	59,379
5.	Bond Issuance Expenses	33,159
6.	Bond Application Report Costs	45,000
7.	Attorney General's Fee	2,140
8.	TCEQ Bond Issuance Fee	5,350
9.	Contingencies (c)	<u>4,821</u>

Total Non-Construction Costs \$ 348,914

TOTAL BOND ISSUE REQUIREMENT \$2,140,000

- (a) In general, developers are required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the parties that have made such advances have borrowed funds.
- (c) Represents funds which may be used by the District only in accordance with the rules of the TCEQ as further discussed below.

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

**AERIAL PHOTOGRAPH OF THE DISTRICT**  
(taken February 2017)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken February 2017)**



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT**  
**(taken February 2017)**





## DISTRICT DEBT

### General

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

2016 Assessed Valuation . . . . .	\$679,816,957(a)
(As of January 1, 2016)	
See "TAX DATA" and "TAX PROCEDURES."	
Direct Debt:     Outstanding Bonds . . . . .	\$ 60,350,000
The Bonds . . . . .	<u>2,140,000</u>
Total . . . . .	\$ 62,490,000(b)
Estimated Overlapping Debt . . . . .	<u>\$ 23,883,283</u>
Direct and Estimated Overlapping Debt . . . . .	<u><u>\$ 86,373,283</u></u>
Direct Debt Ratio	
: as a percentage of 2016 Assessed Valuation . . . . .	9.19%
Direct and Estimated Overlapping Debt Ratio	
: as a percentage of 2016 Assessed Valuation . . . . .	12.71%
Bond Fund Balance Estimated as of Delivery of the Bonds . . . . .	\$ 6,337,411(c)
General Fund Balance at April 27, 2017 . . . . .	\$ 4,173,008
Average Percentage of Total Tax Collections 2006-2015 . . . . .	99.82%
As of March 31, 2017.	
Percentage of Tax Collections 2016 Levy . . . . .	97.14%
(As of March 31, 2017. In process of collection.)	
2016 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax . . . . .	\$0.64
Maintenance tax . . . . .	<u>0.25</u>
Total . . . . .	\$0.89/\$100 A.V.(d)

- (a) As of January 1, 2016, and comprises the District's 2016 tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed valuation as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."
- (b) The District has timely paid all principal of and interest on the Prior Bonds when due. The District financed portions of the cost of acquiring or constructing components of the System and certain recreational facilities that are described in this Official Statement under the caption "THE SYSTEM," and other facilities, with portions of the proceeds of the sale of the Prior Bonds. The District is financing portions of the cost of acquiring or constructing components of the System that are described in this Official Statement under the caption "USE AND DISTRIBUTION OF BOND PROCEEDS," and other facilities, with portions of the proceeds of the sale of the Bonds. The District expects to finance its portion of the cost of acquisition or construction of components of the

System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Bond Fund. Such fund balance gives effect to the payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2017. The District’s remaining debt service requirements for 2017, which are due on September 1, 2017, total \$2,824,766, and include payments of principal of and interest on the Outstanding Bonds.
- (d) The District has levied a total tax of \$0.89 per \$100 of Assessed Valuation for 2016, consisting of debt service and maintenance tax components of \$0.64 and \$0.25 per \$100 of Assessed Valuation, respectively. See “TAX DATA - Tax Rate Calculations.” As is stated in this Official Statement under the caption “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments,” the District’s 2016 total tax rate of \$0.89 per \$100 of Assessed Valuation is higher than the tax rate levied by some municipal utility districts in the Houston metropolitan area, although such total tax is within the range of the levies of municipal utility districts which are in stages of development comparable with the District. Moreover, as is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the tax levies of all units of government which levy taxes against the property located within the District is \$2.804 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the Houston metropolitan area, although such aggregate levies are within the range of the aggregate levies of municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and the District can make no representation that the composite tax rates imposed by overlapping jurisdictions, plus the District’s tax rate, will be competitive with the tax rates of competing projects. To the extent that the District’s composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

## Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. 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. Further, certain of the entities listed below may have issued additional bonds since the date cited.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt as of May 1, 2017</u>	<u>Overlapping</u>	
		<u>Percent</u>	<u>Amount</u>
Fort Bend County	\$527,003,978	1.116%	\$ 5,882,315
Fort Bend Independent School District	841,418,767	2.139	<u>18,000,968</u>
Total Estimated Overlapping Debt			\$23,883,283
The District (the Bonds and the Outstanding Bonds)			<u>62,490,000</u>
Total Direct & Estimated Overlapping Debt			<u><u>\$86,373,283</u></u>

## Debt Ratios

	<u>% of 2016 Assessed Valuation</u>
Direct Debt .....	9.19%
Direct and Estimated Overlapping Debt .....	12.71%

Under Texas law, ad valorem taxes levied by each taxing authority other than the District create a lien that is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administration, and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy, and collect ad valorem taxes for operations and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. The District levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation in 2016. See "TAX DATA - Maintenance Tax."

## Debt Service Requirements

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

<u>Year</u>	<u>Outstanding Bonds</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal (Due 9-1)</u>	<u>Interest</u>	
2017	\$ 3,982,301			\$ 3,982,301
2018	4,095,106		\$ 92,453	4,187,559
2019	4,088,056		73,963	4,162,019
2020	4,075,219		73,963	4,149,182
2021	4,072,669		73,963	4,146,632
2022	4,093,869		73,963	4,467,832
2023	4,107,569		73,963	4,181,532
2024	4,092,356		73,963	4,166,319
2025	4,089,481		73,963	4,163,444
2026	4,080,581		73,963	4,154,544
2027	4,078,356		73,963	4,152,319
2028	4,117,406		73,963	4,191,369
2029	4,115,931		73,963	4,189,894
2030	3,655,269		73,963	3,729,232
2031	4,272,969		73,963	4,346,932
2032	4,262,375		73,963	4,336,338
2033	4,356,856		73,963	4,430,819
2034	4,360,213		73,963	4,434,176
2035	4,342,769		73,963	4,416,732
2036	3,185,125		73,963	3,259,088
2037	3,278,775		73,963	3,352,738
2038	1,448,750	\$ 750,000	73,963	2,272,713
2039	1,503,250	750,000	48,650	2,301,900
2040	<u>1,604,250</u>	<u>640,000</u>	<u>22,400</u>	<u>2,266,650</u>
	\$89,359,501	\$2,140,000	\$1,642,763	\$93,142,264
Average Annual Requirements - (2018-2035) .....				\$4,205,937
Maximum Annual Requirement - (2034) .....				\$4,434,176

See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAX DATA - Tax Rate Calculations" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

## TAX DATA

### Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds and the Bonds (see "TAXING PROCEDURES"). The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS." The District levied a debt service tax of \$0.64 per \$100 of Assessed Valuation in 2016.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On April 7, 1984, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds and any parity bonds which may be issued in the future. The District levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation in 2016.

### Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$0.25 per \$100 Assessed Valuation.

### Historical Values and Tax Collection History

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>Cumulative % Collections</u>	
				<u>Current &amp; Prior Years(b)</u>	<u>Year Ending 9/30</u>
2006	\$453,319,745	\$0.999	\$4,528,714	99.94%	2007
2007	524,507,206	0.950	4,982,847	99.90	2008
2008	541,845,075	0.910	4,930,817	99.93	2009
2009	512,963,048	1.000	5,131,070	99.85	2010
2010	503,925,181	1.030	5,190,429	99.82	2011
2011	498,980,009	1.030	5,139,494	99.82	2012
2012	472,827,715	1.070	5,059,257	99.77	2013
2013	489,715,921	1.050	5,142,017	99.74	2014
2014	534,079,015	1.050	5,607,830	99.71	2015
2015	612,310,887	0.95	5,816,953	99.67	2016
2016	679,816,957	0.89	6,050,371	97.14(c)	2017

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through March 31, 2017. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of March 31, 2017. In process of collection.

## Tax Rate Distribution

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt Service	\$0.64	\$0.70	\$0.80	\$0.80	\$0.82
Maintenance & Operations	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total	\$0.89	\$0.95	\$1.05	\$1.05	\$1.07

## Analysis of Tax Base

The following table illustrates the composition of property located within the District during the past five years.

	<u>2016</u>		<u>2015</u>		<u>2014</u>	
<u>Type of Property</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$134,484,990	19.78%	\$131,472,586	21.47%	\$129,636,070	24.27%
Improvements	605,772,330	89.11	534,812,690	87.34	427,960,050	80.13
Personal Property	9,728,461	1.43	9,062,580	1.48	10,561,830	1.98
Exemptions	<u>(70,168,824)</u>	<u>(10.32)</u>	<u>(63,036,969)</u>	<u>(10.29)</u>	<u>(34,078,935)</u>	<u>(6.38)</u>
Total	\$679,816,957	100.00%	\$612,310,887	100.00%	\$534,079,015	100.00%

	<u>2013</u>		<u>2012</u>	
<u>Type of Property</u>	<u>Assessed Value</u>	<u>%</u>	<u>Assessed Value</u>	<u>%</u>
Land	\$127,495,110	26.03%	\$126,992,630	26.86%
Improvements	381,473,830	77.90	362,928,630	76.76
Personal Property	9,015,334	1.84	9,897,784	2.09
Exemptions	<u>(28,268,353)</u>	<u>(5.77)</u>	<u>(26,991,329)</u>	<u>(5.71)</u>
Total	\$489,715,921	100.00%	\$472,827,715	100.00%

## Principal 2016 Taxpayers

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2016. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2016.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2016 Tax Roll</u>	<u>% of 2016 Tax Roll</u>
American Residential Leasing Company	Houses	\$5,790,000	0.85%
CAH 2015-1 Borrower, LLC*	Land	4,888,810	0.72
Investors of Golden Jubilee Group L	Commercial	3,260,300	0.48
ARP 2014-1 Borrower, LLC	Houses	3,158,140	0.46
CAH 2014-1 Borrower, LLC*	Houses	3,138,720	0.46
Centerpoint Energy	Utilities	2,964,340	0.44
CAH 2014-2 Borrower, LLC*	Houses	2,959,620	0.44
AMH 2014-3 Borrower, LLC	Houses	2,618,830	0.39
CSH 2016-1 Borrower, LLC*	Houses	2,509,960	0.37
Romeo Homes Texas, LLC	Houses	<u>2,320,030</u>	<u>0.34</u>
		\$33,608,750	4.95%

\* Related parties.

## Exemptions

The District adopted an exemption of \$10,000 for persons 65 years or older or disabled persons for the 2016 tax year. The District did not adopt a general residential homestead exemption for the 2016 tax year. See “TAXING PROCEDURES.”

Portions of the land owned by HEL and FLD are undeveloped and at some future date could be used for agricultural purposes. Accordingly, the owner(s) of such land could be entitled to have such land valued on the basis of its agricultural productivity (qualified open-space land), which would be a small fraction of its fair market value. FLD and HEL have waived, on behalf of themselves and their successors and assigns, any right to claim such valuation in future years. The waivers are binding for a period of 30 years.

## Tax Rate Calculations

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 if no growth in the District's tax base occurs beyond the 2016 Assessed Valuation. The calculations assume collection of 95% of taxes levied, no use of District funds on hand other than tax collections, and the sale of no bonds by the District except the Prior Bonds and the Bonds.

Average Annual Debt Service Requirements (2018-2035) .....	\$4,205,937
Tax Rate of \$0.66 on the 2016 Assessed Valuation (\$679,816,957) produces .....	\$4,262,452
Maximum Annual Debt Service Requirement (2034) .....	\$4,434,176
Tax Rate of \$0.69 on the 2016 Assessed Valuation (\$679,816,957) produces .....	\$4,456,200

The District levied a total tax in 2016 of \$0.89 per \$100 of Assessed Valuation, consisting of debt service and maintenance tax components of \$0.64 and \$0.25 per \$100 of Assessed Valuation, respectively. As the above table indicates, the 2016 debt service tax rate will not be sufficient to pay the average annual or the maximum annual debt service requirements on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2016 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District other than the Bonds and the Prior Bonds. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District has collected an average of 99.82% of its 2006 through 2015 tax levies as of March 31, 2017, and its 2016 levy was 97.14% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be approximately \$6,337,411 as of the date of the delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL FINANCIAL REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2016 - \$0.64 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.” In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of additional components of the System, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

## 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 the ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - 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 2016 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions including the District.

<u>Taxing Jurisdiction</u>	<u>2016 Tax Rate Per \$100 of A.V.</u>
The District *	\$0.890
Fort Bend County	0.474
Fort Bend County Emergency Services District No. 7	0.100
Fort Bend Independent School District	<u>1.340</u>
Total Tax Rate	<u><u>\$2.804</u></u>

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\* Consisting of debt service and maintenance tax components of \$0.64 and \$0.25 per \$100 of Assessed Valuation, respectively.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS - Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully 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” and - “Tax Rate Distribution.”

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

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 here.



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

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. 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. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

**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 market 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 by July 1. See "TAX DATA - Exemptions."

**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 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control

of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

## **Tax Abatement**

Fort Bend County, the City of Houston or the City of Missouri City (as appropriate) may designate all or part of the area within the District as a reinvestment zone. Thereafter, either City (if it were to annex the area within its extraterritorial jurisdiction), 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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 some political subdivisions 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of 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.

## **District and Taxpayer Remedies**

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

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. 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 may incur the additional penalty, in an amount established by the District and a delinquent tax attorney, as soon as 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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

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

## **Additional Penalties**

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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.

## **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 taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

## **THE DISTRICT**

### **Authority**

The District is a municipal utility district created by an order of the Texas Water Commission, predecessor to the TCEQ, dated February 15, 1978, pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The creation of the District was confirmed at an election held within the District on January 21, 1984. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

The District also is authorized to construct, develop and maintain park and recreational facilities subject to approval by the TCEQ. In addition, the District is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District currently owns and operates parks and recreational facilities within the District. Such facilities include an extensive walking trail systems, playgrounds and picnic area. The District has issued its Series 2008 Bonds and Series 2015B Park Bonds to finance recreational facilities and uses surplus operating revenues to fund recreational facilities. Future facilities may be paid for by the issuance of parks and recreational facilities bonds and the levy of ad valorem taxes in payment thereof or from surplus operating funds. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Houston, within whose extraterritorial jurisdiction the original District lies, the District agreed to observe certain City of Houston requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of Houston of the District's construction plans and specifications, and the issuance of bonds. Due to an adjustment of the City of Houston's extraterritorial jurisdiction on February 2, 2005, the District now lies in the extraterritorial jurisdiction of both the City of Houston and the City of Missouri City. However, the City of Missouri City does not impose any requirements on the District's issuance of bonds.

## **Description**

The District consisted of approximately 482.5 acres of land at the time of the creation of the District. One exclusion and several annexations of land have resulted in the current District size of approximately 1,303 acres of land. The District is located entirely within Fort Bend County, Texas, approximately 20 miles southwest of the central business district of the City of Houston. The District lies within the Fort Bend Independent School District. The District is bounded on the south by State Highway 6, and is located west of Farm-to-Market Road 521, and east of the Fort Bend County Toll Road. See “AERIAL PHOTOGRAPH OF THE DISTRICT,” and “APPENDIX A - LOCATION MAP.”

## **Management of the District**

The District is governed by the Board of Directors, consisting of five directors, who have control over and management supervision of all affairs of the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. Four of the Directors currently reside within the District. One Director owns property subject to taxation within the District. The current members and officers of the Board, along with their respective terms of office, are listed below.

<u>Name</u>	<u>Title</u>	<u>Term Expires in May</u>
William Thomas	President	2018
Anzilla R. Gilmore	Vice President	2018
Chris Robinson	Assistant Vice President	2020
Ellen Hughes	Secretary	2018
Steven Gates	Assistant Secretary	2020

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, financial advisory and legal services as follows:

### **Tax Assessor/Collector**

The District's Tax Assessor/Collector is Thomas W. Lee of Assessments of the Southwest, Inc., Friendswood, Texas. According to Mr. Lee, he currently serves 135 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

### **Bookkeeper**

The District's bookkeeper is Myrtle Cruz, Inc. According to Myrtle Cruz, Inc., it currently serves approximately 315 utility districts as bookkeeper.

### **Utility System Operator**

Municipal District Services, LLC is the operator of the System. Additionally, Municipal District Services, LLC provides administrative assistance services to the District for operation of the District's administrative building. According to Municipal District Services, LLC, it is currently engaged as utility system operator for approximately 53 utility districts.

## **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. The District's auditor for the 2016 fiscal year is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. A copy of the District's audit for the fiscal year ended December 31, 2016, is attached as "APPENDIX B" to this Official Statement.

## **Engineer**

The consulting engineer for the District is LJA Engineering, Inc. (the "Engineer"). The Engineer has also been employed by the Developer (hereinafter defined) in connection with certain planning activities and the design of certain streets and related improvements within the District.

## **Attorney**

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 based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

## **Financial Advisor**

The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through [http://www.sec.gov/edgar/searchedgar/company\\_search.html](http://www.sec.gov/edgar/searchedgar/company_search.html).

## **Disclosure Counsel**

McCall, Parkhurst & Horton L.L.P., Dallas, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

## **DEVELOPMENT OF THE DISTRICT**

As of May 1, 2017, the District contained a total of 4,352 single-family homes, including 17 homes under construction. See "HOME BUILDING." The development of an aggregate of 4,441 single-family residential lots (an aggregate of approximately 1,139 acres) is complete within the District. The development of such 4,441 completed lots includes the construction of components of the System and street paving in Teal Run, Sections 1 through 18, Teal Run Court, Estates of Teal Run, Sections 1 through 6, Teal Run Meadows, Sections 1 through 3, Winfield Lakes, Sections 2 through 7 and 10, Andover Farms, Sections 1 through 6, and Cambridge Falls, Sections 1 through 9 as is enumerated in chart that appears below. A Walgreens Drug Store that contains approximately 14,820 square feet of building area, a grocery store that contains approximately 11,904 square feet of building area and three retail shopping centers have been constructed on an approximately 12 acre tract of land located within the District. A gasoline service station and convenience store have been constructed on an approximately 1 acre site located within the District. A Jack-in-the-Box restaurant has been constructed on an approximately 0.6 acre site located within the District. A United States Post Office has been constructed on an approximately 2.4 acre site located within the District and the Fort Bend Independent School District (the "FBISD") owns a total of approximately 24 acres located within the District on which it has constructed on separate sites the Walter Moses Burton Elementary School and the Lulabelle Goodman Elementary School, all of which property

is exempt from taxation by the District. Approximately 19 acres within the District contain recreational facilities. Approximately 40 undeveloped acres located within the District that are currently expected to be developed primarily into single-family residential lots the ownership of which is described below under the caption "DEVELOPER AND PRINCIPAL LAND OWNERS" are available for future development. Since none of the owners of any of such currently undeveloped acres has any obligation to the District to develop any of such acres according to any timetable or at all, the District cannot represent whether or when the development of any of such acres might be undertaken. The remaining acres that are contained within the District consist of drainage easements, detention ponds, rights-of-way, District wastewater and water plant sites, or are otherwise not available for future development.

The District financed its portion of the cost of (a) the acquisition or construction of the components of its System which serve Teal Run, Sections 1 through 18, Teal Run Court, Estates of Teal Run, Sections 1 through 6, Teal Run Meadows, Sections 1 through 3, Winfield Lakes, Sections 2 through 7 and 10, Andover Farms, Sections 1 through 6, Cambridge Falls, Sections 1 through 5, 7 and 8; and (b) the acquisition and construction of the M.R. Massey Park and Playground, Estates of Teal Run Amenity, Teal Run North Amenity, Teal Run Amenity, Winfield Lakes Park, Andover Farms Park, Detention Pond Drainage/Amenity Facilities to serve Cambridge Falls, enhancements to Teal Run Trail, Winfield Lakes Tennis Courts and Cambridge Falls Walking Trail, and other recreational facilities, and certain other facilities, with portions of the proceeds of the Prior Bonds and surplus funds. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS"), the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

As of May 1, 2017, the status of residential development and home construction in the District was as follows:

Residential Units

Subdivision	Fully Developed	Lots		Acres	Homes				Totals
		Acres	Under Development		Under Construction		Completed		
					Sold*	Unsold	Sold*	Unsold*	
Teal Run									
Section 1	167	43			0	0	167	0	167
Section 2	169	52			0	0	169	0	169
Section 3	27	7			0	0	27	0	27
Section 4	50	19			0	0	50	0	50
Section 5	81	23			0	0	81	0	81
Section 6	65	12			0	0	65	0	65
Section 7	84	18			0	0	84	0	84
Section 8	34	17			0	0	34	0	34
Section 9	130	42			0	0	130	0	130
Section 10	163	43			0	0	163	0	163
Section 11	113	35			0	0	113	0	113
Section 12	96	24			0	0	96	0	96
Section 13	98	18			0	0	98	0	98
Section 14	67	18			0	0	66	0	66
Section 15	136	27			0	0	134	0	134
Section 16	137	29			0	0	130	0	130
Section 17	99	21			0	0	99	0	99
Section 18	57	33			0	0	57	0	57
Teal Run Court	17	4			0	0	6	0	6
Estates of Teal Run,									
Section 1	104	30			0	0	104	0	104
Section 2	85	20			0	0	85	0	85
Section 3	66	14			0	0	66	0	66
Section 4	64	15			0	0	64	0	64
Section 5	115	39			0	0	100	0	100
Section 6	20	5			0	0	20	0	20
Teal Run Meadows									
Section 1	84	14			0	0	84	0	84
Section 2	130	26			0	0	130	0	130
Section 3	85	15			0	0	85	0	85
Winfield Lakes									
Section 2	102	19			0	0	102	0	102
Section 3	141	20			0	0	141	0	141
Section 4	106	23			0	0	106	0	106
Section 5	15	3			0	0	15	0	15
Section 6	248	53			0	0	248	0	248
Section 7	102	29			0	0	101	0	101
Section 10	17	4			0	0	8	0	8
Andover Farms									
Section 1	83	21			0	0	83	0	83
Section 2	81	25			0	0	81	0	81
Section 3	111	31			0	0	111	0	111
Section 4	142	35			0	0	142	0	142
Section 5	67	17			0	0	67	0	67
Section 6	63	19			0	0	63	0	63
Cambridge Falls									
Section 1	149	63			0	0	149	0	149
Section 2	161	48			0	0	161	0	161
Section 3	34	9			0	0	34	0	34
Section 4	43	9			0	0	43	0	43
Section 5	43	10			0	0	42	1	43
Section 6	70	16			0	0	70	0	70
Section 7	39	7			0	0	39	0	39
Section 8	21	4			0	0	19	2	21
Section 9	60	11			5	12	0	0	17
TOTALS	4,441	1,139	0	0	5	12	4,332	3	4,352

\* Includes homes sold and contracted for sale. Homes under contract for sale, in some instances, are subject to conditions of appraisal, loan application, approval and inspection.

See "HOME BUILDING" below for descriptions of the ranges of size and sales prices of homes which the Builder is currently constructing in the District.



## **DEVELOPER AND PRINCIPAL LAND OWNERS**

The developer of Cambridge Falls within the District is Fresno Lakes, Ltd., a Texas limited partnership ("FLD") whose general partner is Compass Land Development, L.L.C., a Texas limited liability corporation. FLD has completed the development of Cambridge Falls, Sections 1 through 9 described above (aggregating approximately 177 acres subdivided into 620 single-family residential lots). D. R. Horton Homes is currently constructing homes in Cambridge Falls as is described below under the caption "HOME BUILDING." FLD also owns approximately 28 acres of currently undeveloped land within the District which it expects to develop into a total of approximately 156 single-family residential lots in the future. FLD is under no obligation to the District to develop any of its currently undeveloped acres according to any timetable or at all, and thus the District cannot predict whether, or when, the development of any of such acres might be undertaken.

Hannover Estates, Ltd. ("HEL") owns approximately 12 acres of currently undeveloped land located within the District, approximately 6 acres of which are expected to be developed in the future into single-family residential lots, and approximately 6 acres of which are expected to be utilized for future commercial development. However, HEL is under no obligation to the District to develop any of its currently undeveloped acres according to any timetable or at all, and thus the District cannot predict whether, or when, the development of any such acres might be undertaken.

Reference is sometimes made in this Official Statement to FLD as the "Developer." See "FUTURE DEVELOPMENT."

## **HOME BUILDING**

According to FLD, D.R. Horton Homes is currently constructing homes in Cambridge Falls which range in size from approximately 1,570 to 2,545 square feet of living area and in sales price from approximately \$157,290 to \$210,000. Reference is sometimes made in this Official Statement to D.R. Horton Homes as the "Builder."

## **FUTURE DEVELOPMENT**

According to the District's Engineer, approximately 1,139 acres of land located within the District have been developed into an aggregate of 4,441 single-family residential lots. In addition, certain commercial reserves have been developed within the District on which above-ground commercial improvements, a post office and two elementary schools have been constructed as is described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." Approximately 19 of such 1,139 acres within the District contain recreational facilities. Approximately 40 acres of land located within the District are currently undeveloped and are available for future development. The remaining acres that are contained within the District consist of drainage easements, detention ponds, rights-of-way, District wastewater and water plant sites, or are otherwise not available for future development.

As is described above under the caption "DEVELOPER AND PRINCIPAL LAND OWNERS," HEL owns approximately 12 of such currently undeveloped acres, approximately 6 acres of which are expected to be developed into single-family residential lots and approximately 6 acres of which are expected to be utilized for future commercial development. FLD owns approximately 28 of such acres, which it currently expects to develop into approximately 156 single-family residential lots. However, since neither HEL nor FLD is under any obligation to the District to proceed with the development of such acreage, the District cannot represent when, or whether any of such currently undeveloped acres might be developed.

The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots, and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS"), the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT

CONSIDERATIONS - Future Debt.” The District’s Engineer estimates that the \$17,890,000 authorized bonds which remain unissued will be adequate to finance the construction of such facilities to provide service to all of the currently undeveloped portions of the District. However, if the cost of the additions to the System necessary to complete development of the District were to exceed current estimates, the amount of authorized but unissued bonds might not be sufficient to finance all such additions to the System. In such event, the District would be required to obtain voter authorization to issue additional bonds to complete the System at an election held for such purpose. See “THE BONDS - Issuance of Additional Debt.” No party is under any obligation to the District to initiate development of any of the land located within the District, or to complete any development, if begun, and any party initiating any such future development thereon could modify or discontinue its plans in its sole discretion. Accordingly, the District makes no representation that future development will occur. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

## **THE SYSTEM**

### **Regulation**

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction and operation of the System must be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend Drainage District, and, in some instances, the TCEQ and the U.S. Army Corps of Engineers. Fort Bend County and the City of Houston also exercise regulatory jurisdiction over the District's System. The total number of equivalent single-family connections (“ESFCs”) estimated at this time for the District upon the full development of its approximately 1,303 acres is 4,781 with a total estimated population of 16,000 people. The following descriptions are based upon information supplied by the District's Engineer.

### **Description**

Proceeds of the sale of the Prior Bonds and surplus funds of the District were used to finance the District's cost of the acquisition or construction of components of the System which serve Teal Run, Sections 1 through 18, Teal Run Court, Estates of Teal Run, Sections 1 through 6, Teal Run Meadows, Sections 1 through 3, Winfield Lakes, Sections 2 through 7 and 10, Andover Farms, Sections 1 through 6 and Cambridge Falls, Sections 1 through 5 and 7 and 8 located within the District which have been developed as is described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION.” In addition, proceeds of the sale of the Outstanding Bonds were used to finance the District's cost of construction of an offsite outfall drainage channel and detention pond facilities; purchase of drainage channel right-of-way and detention pond sites; construction of an interim and a permanent wastewater treatment plant, water supply facilities, a District administration building, and emergency water interconnection lines connecting the District’s water supply and distribution system with the water supply and distribution system of the adjoining Vicksburg Joint Powers Board, Fort Bend Freshwater Supply District No. 1, and the City of Missouri City described below. Proceeds of the sale of the Prior Bonds were also used to finance, among other items, the District's cost of the acquisition or construction of the following recreational facilities: (a) M.R. Massey Park and Playground; (b) Estates of Teal Run Amenity; (c) Teal Run North Amenity; (d) Teal Run Amenity; (e) Winfield Lakes Park; (f) Andover Farms Park; (g) detention pond drainage/amenity facilities to serve Cambridge Falls, (h) enhancements to Teal Run Trail; (i) Winfield Lakes tennis courts, (j) Cambridge Falls walking trail; and (k) future park development on District land. As of the date hereof, the construction of the M.R. Massey Park and Playground, Estates of Teal Run Amenity, Teal Run North Amenity, Teal Run Amenity, Winfield Lakes Park, Andover Farms Park Detention Pond/Amenity Facilities to serve Cambridge Falls, enhancement to Teal Run Trail and Winfield Lakes tennis courts are complete. The construction of the Cambridge Falls walking trails is underway. The District is financing its portion of the cost of (a) the acquisition or construction of the components of its System which serve Cambridge Falls, Sections 6 and 9, and other components of the System; with portions of the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”). In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds, and

is financing with the proceeds of the sale of the Bonds, the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

### **Water Supply**

The District is served by Water Plant No. 1, which consists of a 1,300 gallons-per-minute (“g.p.m.”) water well and pump, a second water well with a capacity of 500 g.p.m., a 500,000 gallon ground storage tank, three 20,000 gallon hydropneumatic tanks, and 7,000 g.p.m. of booster pumps capacity, a control building, chlorination facilities, an auxiliary power unit, and related appurtenances; Water Plant No. 2, which includes a 1,300 g.p.m. water well, two 500,000 gallon ground storage tanks, a 15,000 gallon hydropneumatic tank, a 20,000 gallon hydropneumatic tank, and 6,400 g.p.m. of booster pump capacity; and Remote Well No. 1, which includes a 1,300 g.p.m. water well. The District financed all of such facilities, and emergency water interconnection lines connecting the District’s water supply and distribution system with the water supply and distribution system of the adjoining Vicksburg Joint Powers Board, the City of Missouri City and Fort Bend Freshwater Supply District No. 1, with portions of the proceeds of the sale of the Prior Bonds. According to the District’s Engineer, the aforementioned water supply facilities contain adequate capacity to provide service to 6,168 ESFCs. The District entered the “Regional Water and Wastewater Treatment Plant Trunklines, Drainage and Detention Agreement” dated May 1, 2004, as amended (the “Agreement”), with Fort Bend County Municipal Utility District No. 24 (“MUD No. 24”). Pursuant to the Agreement, MUD No. 24 purchased sufficient water plant capacity from the District to provide service to a number of ESFCs equal to 18% of the District’s capacity (not to exceed 1,100 ESFCs).

### **Wastewater Treatment**

The District financed its costs associated with a 1,800,000 gallons-per-day (“g.p.d.”) permanent wastewater treatment facility with a portion of the proceeds of the sale of the Prior Bonds. According to the District’s Engineer, the facility contains adequate capacity to provide service to 6,000 ESFCs. Pursuant to the Agreement, MUD No. 24 purchased sufficient wastewater treatment plant capacity from the District to provide service to a number of ESFCs equal to 18% of the District’s capacity (not to exceed 1,100 ESFCs).

### **Outfall Drainage Channel**

Storm water from within the District generally drains through underground lines to detention ponds and/or ditch 'A', and outfalls to Long Point Creek. The District financed its portion of the cost of construction of two outfall drainage facilities, including outfall drainage channels and detention pond facilities, and its portion of the cost of rectification of Long Point Creek with portions of the proceeds of the sale of the Prior Bonds.

### **100-Year Flood Plain**

According to the Engineer, the Flood Insurance Rate Map (FIRM) panel (48157C0315L) published by the Federal Emergency Management Agency (FEMA) effective April 2, 2014, which includes all land within the District, shows that areas within the District which are located within the 100-year flood plain are contained within detention ponds and drainage easements.

### **Fort Bend Subsidence District**

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the “Plan”) to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District’s jurisdiction. Under the Plan, the District was required to have a groundwater reduction plan approved by the Subsidence District by the beginning date of the District’s permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District’s total water demand. Additional disincentive fees were to have been imposed under the Plan if the District’s groundwater withdrawal exceeded 70% of the District’s total water demand beginning January 2013, and exceeds 40% of the District’s total water demand beginning January 2025.

The District may comply with the Plan's requirements either individually or collectively with other groundwater user(s) within the Subsidence District. The District has joined the City of Missouri City's Groundwater Reduction Plan (the "GRP"). The current GRP fee is \$1.65 per 1,000 gallons of water consumed. The District expects to incur costs on an ongoing basis necessary to comply with the Plan, but the District cannot predict and makes no representation as to the amount of such costs. The District may pass such costs through to its customers in higher water rates or with portions of its maintenance tax proceeds. In addition, the issuance of additional bonds by the District in an undetermined amount and improvements to the District water supply system may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in a regional surface water effort.

The District cannot predict the level of the disincentive fee or any other fees or charges ultimately adopted by the Subsidence District. The disincentive fee is expected to be substantial and the District expects that it would need to pass such a fee through to its customers in higher water rates or with portions of its maintenance tax proceeds if it were unable to comply with the groundwater reduction plan deadline or the conversion deadlines contained in the Plan.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and not of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, the City of Missouri City, Texas, or any entity other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, 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 single-family residential development and home construction industries not only due to general economic conditions, but also due to the particular factors discussed below.

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

**Economic Factors:** The land located within the District which has been developed to date has been developed primarily for single-family residential purposes. Therefore, the rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, construction costs, energy availability and costs, the level of residential foreclosures, and consumer demand. Decreased levels of home construction activity restrict the growth of property values in the District. Further declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT," as of May 1, 2017, (i) the development of an aggregate of 4,441 single-family residential lots within the District had been completed, (ii) the District contained 4,352 residences (including 17 residences under construction) (see "HOME BUILDING"), plus a gasoline service station and convenience store, a fast food restaurant, a Walgreens Drug Store, a grocery store, and three retail shopping centers, and (iii) the Builder was constructing homes in the District (see "HOME BUILDING"), the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. See "TAXING PROCEDURES."

**National Economy:** There has been a downturn in new housing construction in the United States, resulting in a decline in national housing market values. Although, as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT,” as of May 1, 2017, (i) the development of an aggregate of 4,441 single-family residential lots within the District had been completed, (ii) the District contained 4,352 residences (including 17 residences under construction) (see “HOME BUILDING”) plus a gasoline service station and convenience store, a fast food restaurant, a Walgreens Drug Store, a grocery store, and three retail shopping centers, and (iii) the Builder was constructing homes in the District (see “HOME BUILDING”), the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has occurred to date. The District cannot predict what impact, if any, a downturn in the local housing market and a continued downturn in the national housing and financial markets may have on the Houston market generally and the District specifically. See “TAXING PROCEDURES.”

**Credit Markets and Liquidity in the Financial Markets:** Interest rates and the availability of mortgage funding have a direct impact on homebuilding activity, particularly short-term interest rates at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued home construction within the District. In addition, since the District is located approximately 20 miles southwest from the central downtown business district of the City of Houston, the growth of District taxable property values is, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect homebuilding plans in the District and restrain the growth of the District’s property tax base.

**Principal Land Owners’ Obligations to the District:** There is no commitment by or legal requirement of HEL or FLD, the owners of approximately 12 and 28 acres, respectively, of currently undeveloped land located within the District that are available for future development, or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of the Builder which is currently constructing homes located in the District (see “HOME BUILDING”), or of any other home building company, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District. See “FUTURE DEVELOPMENT,” “TAX DATA - Analysis of Tax Base” and - “Exemptions,” and “TAXING PROCEDURES - Valuation of Property for Taxation.”

**Maximum Impact on District Tax Rates:** The value of the land and improvements currently within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The 2016 Assessed Valuation of property located within the District is \$679,816,957. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Remaining Outstanding Bonds will be \$4,434,176 (2034) and the average annual debt service requirements will be \$4,205,937 (2018 through 2035, inclusive). Assuming no increase to, nor decrease from, the 2016 Assessed Valuation, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District, tax rates of \$0.69 and \$0.66 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, on the Bonds and the Remaining Outstanding Bonds. The District levied a total tax of \$0.89 per \$100 of Assessed Valuation for 2016, consisting of debt service and maintenance tax components of \$0.64 and \$0.25 per \$100 of Assessed Valuation, respectively. Therefore, the 2016 debt service tax rate will not be sufficient to pay the average annual or the maximum annual debt service requirements on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2016 Assessed Valuation, assuming the District will have a tax collection rate of 95%, no use of District funds on hand other than tax collections for such purpose, and the issuance of no additional bonds by the District. See “TAXING PROCEDURES.” However, as is illustrated in “TAX DATA - Historical Values and Tax Collection History,” the District has collected an average of 99.82% of its 2006

through 2015 tax levies as of March 31, 2017, and its 2016 levy was 97.14% collected as of such date. Moreover, the District's Debt Service Fund balance is estimated to be approximately \$6,337,411 as of the date of the delivery of the Bonds. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL FINANCIAL REPORT"). Therefore, the District anticipates that it will be able to meet debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2016 - \$0.64 per \$100 of Assessed Valuation. However, 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 aforementioned tax rate or to justify continued payment of taxes by property owners. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see "USE AND DISTRIBUTION OF BOND PROCEEDS"), the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the tax levies of all units of government which levy taxes against the property located within the District is \$2.804 per \$100 of Assessed Valuation, which aggregate levy is higher than the aggregate of the tax levies of some municipal utility districts located in the Houston metropolitan area, although such aggregate levies are within the range of the aggregate levies of municipal utility districts which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and the District can make no representation that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Increases in the District's tax rate to substantially higher levels than the total rate of \$0.89 per \$100 of Assessed Valuation that the District levied in 2016 may have an adverse impact upon future development of the District, the construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes" and "TAXING PROCEDURES."

### **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 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 (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a 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 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. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS - Registered Owners' Remedies."

The District may not be placed into bankruptcy involuntarily.

## **The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District**

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

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

There has been no definitive determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

## **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 generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

## **Future Debt**

The District has the right to issue the remaining \$17,890,000 authorized but unissued bonds for waterworks, wastewater, and drainage facilities, \$8,427,045.52 authorized but unissued refunding bonds and \$3,250,000 authorized but unissued bonds for recreational facilities (see “THE BONDS - Issuance of Additional Debt”), 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. All of the remaining \$17,890,000 in bonds for waterworks, wastewater, and drainage facilities that have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$17,890,000 in bonds for waterworks, wastewater, and drainage facilities is also subject to TCEQ authorization. In addition to the components of the System and recreational facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS”), the District expects to finance its portion of the cost of acquisition or construction of components of the System to serve certain areas of the District that might be developed in the future, and additional recreational facilities, with proceeds of the sale of additional bonds, if any, to be issued in the future. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM.” Since the District has not financed all components of its System necessary to complete construction of the System, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. 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.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has adopted a master parks plan, and voters of the District have approved the issuance of \$8,800,000 parks and recreational facilities bonds. Before the District could issue parks and recreational facilities bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. When the District issues parks and recreational facilities bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has spent and intends to continue to spend surplus operating funds for the development of parks and other recreational facilities in the District. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM.”

## **Competitive Nature of Houston Markets**

The housing industry in the Houston area is very competitive, and the District can give no assurance that the building programs which are planned by the Builder (see “HOME BUILDING”) or any future home builder(s) will be continued or completed. The respective competitive positions of the FLD, HEL, the Builder and any other developer(s) or home builder(s) which might attempt future home building or development projects in the District in the sale of developed lots or in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

## **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 of 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, or the adequacy or accuracy of the information contained in this Official Statement.



## Environmental Regulations

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

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

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

### *Air Quality/Greenhouse Gas Issues*

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s redesignation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGB area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion (“ppb”) to 75 ppb (“the 2008 Ozone Standard”), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area’s 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA’s 2008 Ozone Standard, the 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.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb (“the 2015 Ozone Standard”). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2017.

In order to comply with the EPA's ozone standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB area's economic growth and development.

### *Water Supply & Discharge Issues*

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) on February 19, 2013. The TPDES Construction General 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 nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load ("TMDL") of certain pollutants into the water bodies. The TMDLs that municipal utility districts may discharge may have an impact on the municipal utility district's ability to obtain and maintain TPDES permits.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On February 22, 2016, the Sixth Circuit decided it has jurisdiction to consider lawsuits against the CWR, and on April 21, 2016, denied six petitions for en banc review of this decision. A Petition for Writ of Certiorari was filed on September 2, 2016, appealing to the Supreme Court the Sixth Circuit's decision that it has jurisdiction to consider lawsuits against the CWR. On February 28, 2017, the President issued an executive order directing the EPA and the USACE to review the CWA. On March 1, 2017, the EPA and the USACE signed a joint Notice of Intention to Review and Rescind or Revise the CWR. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States." The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted

all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future.

### **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.

## **LEGAL MATTERS**

### **Legal Opinions**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority" and - "Bond Counsel," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein, and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by the appropriate officers 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.

## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals or corporations, except for certain alternative minimum tax consequences for corporations.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter, with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations or report 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.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC, or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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 on interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to 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 receipt or accrual of interest on, or acquisition, ownership, 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 taxpayers 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 thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any

law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the Owners 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 initial offering 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, (a) the difference between (i) the principal amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of an owner who has purchased such Original Issue Discount Bond 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 Original Issue Discount 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 discussion assumes, in reliance upon certain representations of the Underwriters, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. 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 date of the Bonds and ratably within each such six-month period), and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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 that are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, redemption, sale, or other disposition of such Original Issue Discount Bonds.

## **Qualified Tax-Exempt Obligations**

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

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2017 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 2017.

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

## **NO-LITIGATION CERTIFICATE**

The District will furnish to each respective Underwriter a certificate, dated as of the date of delivery of the respective Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or to the knowledge of the District's certifying officers, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title to the then present officers and directors of the Board.

## **NO MATERIAL ADVERSE CHANGE**

The obligations of the respective Underwriters to take up 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the applicable Underwriter of its obligations to take up and pay for the Bonds.

## **SOURCES OF INFORMATION**

### **General**

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

The District's financial statements for the fiscal year ended December 31, 2016, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, Houston, Texas, and have been included herein as "APPENDIX B." McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

## **Experts**

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the sections captioned "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION," "FUTURE DEVELOPMENT," and "THE SYSTEM," has been provided by LJA Engineering, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" has been provided by the Appraisal District and Thomas W. Lee. The District has included certain information herein in reliance upon Mr. Lee's authority as an expert in the field of tax assessing and real property appraisal. The District has included certain information herein in reliance upon the Appraisal District's authority as an expert in the field of tax assessing and real property appraisal.

## **GENERAL CONSIDERATIONS**

### **Updating of Official Statement**

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the "end of the underwriting period."

### **Certification of Official Statement**

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the District has made 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 events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT,” “TAX DATA” and in “APPENDIX B.” The District will update and provide this information within six months after the end of each fiscal year ending in and after 2017.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### Event Notices

The District will provide timely notices of certain 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 determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of such Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. 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 Resolutions make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”



### **Availability of Information**

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system 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 certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 to 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 the applicable Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of such 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 applicable 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 applicable Bonds. The District may amend or repeal the agreement in the applicable Bond Order if the SEC amends or repeals the applicable provisions of such 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 applicable 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 its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 23 as of the date shown on the first page hereof.

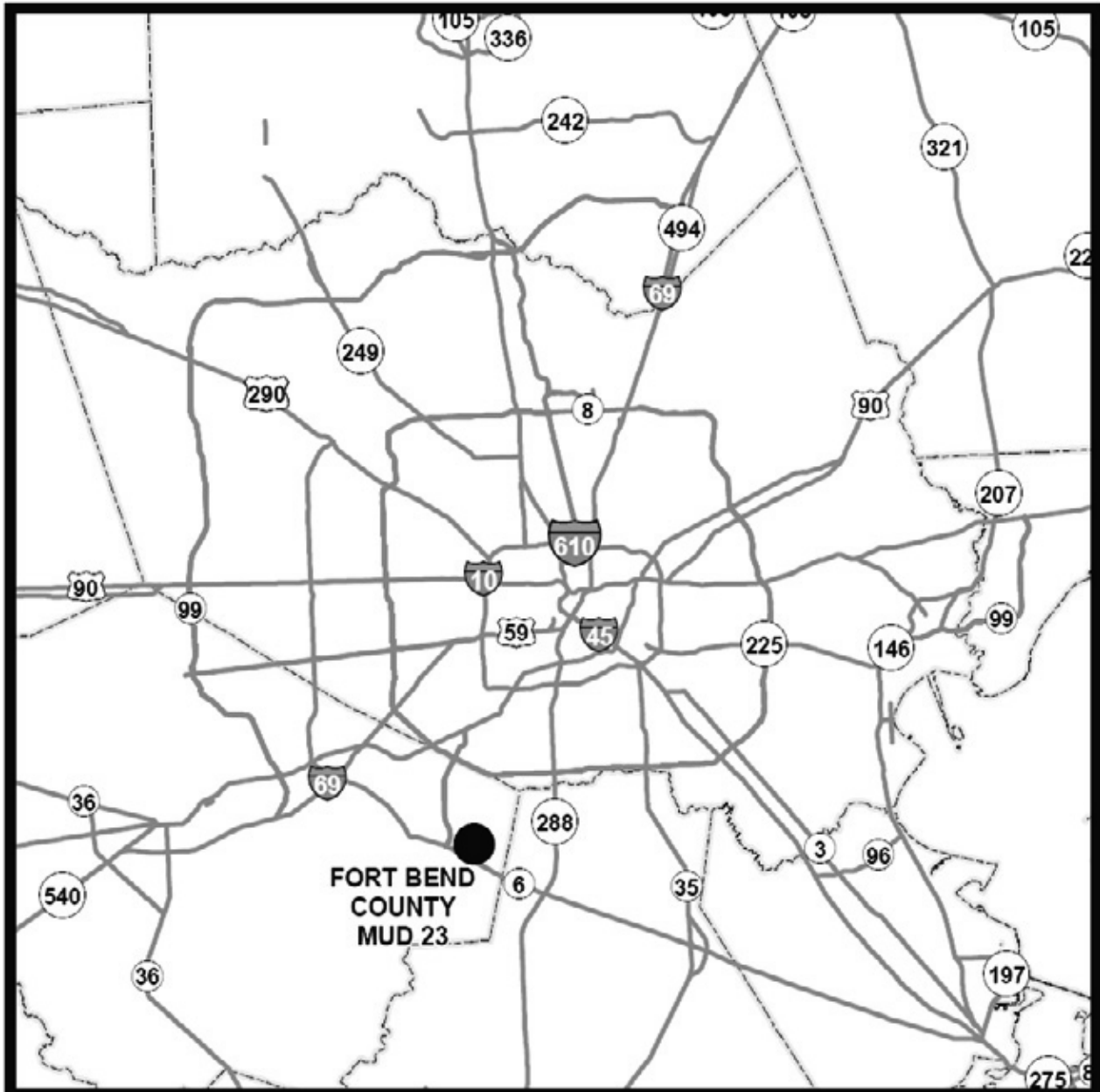
/s/ William Thomas  
President, Board of Directors  
Fort Bend County Municipal  
Utility District No. 23

ATTEST:

/s/ Ellen Hughes  
Secretary, Board of Directors  
Fort Bend County Municipal  
Utility District No. 23



APPENDIX A  
LOCATION MAP





**APPENDIX B**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2016**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**FORT BEND COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2016**





**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2016**



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Fort Bend County Municipal  
Utility District No. 23  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 23 (the "District"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

April 27, 2017





**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 23's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Special Revenue Fund accounts for the financial resources collected and administered by the District for operation of the regional water and wastewater facilities.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**FUND FINANCIAL STATEMENTS (Continued)**

The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$3,368,170 as of December 31, 2016.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

	Summary of Changes in the Statement of Net Position		
	2016	2015	Change Positive (Negative)
Current and Other Assets	\$ 16,662,100	\$ 17,010,378	\$ (348,278)
Capital Assets (Net of Accumulated Depreciation)	48,777,465	48,170,070	607,395
Total Assets	\$ 65,439,565	\$ 65,180,448	\$ 259,117
Deferred Outflows of Resources	\$ 1,106,321	\$ 855,019	\$ 251,302
Due to Developer	\$ 929,610	\$	\$ (929,610)
Long -Term Liabilities	59,148,721	60,474,734	1,326,013
Other Liabilities	3,784,705	3,378,247	(406,458)
Total Liabilities	\$ 63,863,036	\$ 63,852,981	\$ (10,055)
Deferred Inflows of Resources	\$ 6,051,020	\$ 5,820,276	\$ (230,744)
Net Position:			
Net Investment in Capital Assets	\$ (10,393,221)	\$ (10,712,950)	\$ 319,729
Restricted	3,416,180	3,384,078	32,102
Unrestricted	3,608,871	3,691,082	(82,211)
Total Net Position	\$ (3,368,170)	\$ (3,637,790)	\$ 269,620

The following table provides a summary of the District's operations for the years ended December 31, 2016, and December 31, 2015.

	Summary of Changes in the Statement of Activities		
	2016	2015	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 5,812,886	\$ 5,605,550	\$ 207,336
Charges for Services	3,136,206	3,131,779	4,427
Other Revenues	157,759	132,480	25,279
Total Revenues	\$ 9,106,851	\$ 8,869,809	\$ 237,042
Expenses for Services	8,837,231	9,074,879	237,648
Change in Net Position	\$ 269,620	\$ (205,070)	\$ 474,690
Net Position, Beginning of Year	(3,637,790)	(3,432,720)	(205,070)
Net Position, End of Year	\$ (3,368,170)	\$ (3,637,790)	\$ 269,620

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

The District's combined fund balances as of December 31, 2016, were \$8,853,601, a decrease of \$956,799 from the prior year.

The General Fund fund balance decreased by \$100,895, primarily due to operating expenditures exceeding service revenues.

The Debt Service Fund fund balance increased by \$49,467, primarily due to the structure of the District's outstanding debt service requirements and the sale of refunding bonds.

The Capital Projects Fund fund balance decreased by \$905,371, primarily due to capital expenditures paid with bond proceeds received in a prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal. Actual revenues were \$128,084 more than budgeted revenues. Actual expenditures were \$254,400 more than budgeted expenditures.

**CAPITAL ASSETS**

The District's capital assets as of December 31, 2016, amount to \$48,777,465 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems. Current year additions included a new hydropneumatic tank at water plant no. 1, water, wastewater and drainage utilities to serve Cambridge Falls, Sections 6 through 8, Trammel Fresno road utility lowering and Winfield Lakes tennis court and other park improvements. Construction in progress at year-end relates to the purchase and installation of lift station generators, construction of Cambridge Falls Trail, sanitary sewer rehabilitation in Teal Run, Section 2 and Teal Bend Boulevard sidewalks.

	Capital Assets At Year-End, Net of Accumulated Depreciation		
	2016	2015	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,341,278	\$ 3,341,278	\$
Construction in Progress	997,721	843,254	154,467
Capital Assets, Net of Accumulated Depreciation:			
Administration Building and Park Improvements	1,791,667	1,598,317	193,350
Water System	7,950,983	7,722,019	228,964
Wastewater System	11,428,054	11,438,157	(10,103)
Drainage System	23,267,762	23,227,045	40,717
Total Net Capital Assets	<u>\$ 48,777,465</u>	<u>\$ 48,170,070</u>	<u>\$ 607,395</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**LONG-TERM DEBT ACTIVITY**

At the end of the current fiscal year, the District had total bond debt payable of \$60,535,000.

The changes in the debt position of the District during the fiscal year ended December 31, 2016, are summarized as follows:

Bond Debt Payable, January 1, 2016	\$ 62,480,000
Add: Bond Sale - Series 2016 Refunding	8,085,000
Less: Bond Principal Paid and Refunded	<u>10,030,000</u>
Bond Debt Payable, December 31, 2016	<u>\$ 60,535,000</u>

The District's Bonds carry an underlying rating of "BBB+" from Standard & Poor's ("S&P").

At the time of issuance, the Series 2007 Bonds were rated "AAA" by S&P based on a policy issued by CIFG Assurance North America, Inc. ("CIFG"). During a prior fiscal year, the rating of CIFG changed from "AA-" to "AA".

At the time of issuance, the Series 2006, the Refunding Series 2010 and the Series 2010 Bonds were rated "AAA" by S&P based on a policy issued by Assured Guaranty, formerly known as Financial Security Assurance Inc. During a prior fiscal year, the rating for Assured Guaranty changed from "AA-" to "AA". The Series 2012 Refunding Bonds, issued in a prior fiscal year, are insured by Assured Guaranty.

The Series 2013 Refunding and Series 2014 Refunding Bonds, issued in a prior fiscal year, and the Series 2016 Refunding Bonds, issued in the current year, are rated "AA" by S&P based on a policy issued by Build America Mutual.

The Series 2015A and Series 2015B Bonds, issued in the prior fiscal year, are rated "AA" by S&P based on a policy issued by Municipal Assurance Corp.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 23, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>ASSETS</b>		
Cash	\$ 1,016,454	\$ 38,097
Investments	2,103,299	
Receivables:		
Property Taxes	428,275	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$20,000)	488,979	
Accrued Interest	3,445	
Other	7,999	
Due from Other Funds	1,368,246	127,025
Prepaid Costs	136,795	
Due from Other Governmental Units		22,922
Advance for Joint Operations	66,646	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 5,620,138</u>	<u>\$ 188,044</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 5,620,138</u>	<u>\$ 188,044</u>

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

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 6,428,474	\$ 489,322	\$ 7,972,347	\$	\$ 7,972,347
2,262,325	1,585,950	5,951,574		5,951,574
1,109,837		1,538,112		1,538,112
			36,858	36,858
		488,979		488,979
6,526	473	10,444		10,444
		7,999		7,999
1,413		1,496,684	(1,496,684)	
		136,795	494,646	631,441
	1,424	24,346		24,346
		66,646	(66,646)	
			3,341,278	3,341,278
			997,721	997,721
			44,438,466	44,438,466
<u>\$ 9,808,575</u>	<u>\$ 2,077,169</u>	<u>\$ 17,693,926</u>	<u>\$ 47,745,639</u>	<u>\$ 65,439,565</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,106,321</u>	<u>\$ 1,106,321</u>
<u>\$ 9,808,575</u>	<u>\$ 2,077,169</u>	<u>\$ 17,693,926</u>	<u>\$ 48,851,960</u>	<u>\$ 66,545,886</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 216,809	\$ 106,769
Accrued Interest Payable		
Due to Developer		
Retainage Payable	18,239	
Due to Other Funds	128,438	
Due to Taxpayers		
Due to Voluntary Services	26,695	
Security Deposits	416,007	
Advance for Joint Operations		81,275
Interest Payable on Compound Interest Bonds		
Long Term Liabilities:		
Due Within One Year		
Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 806,188</u>	<u>\$ 188,044</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 1,724,675</u>	<u>\$ -0-</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 136,795	\$
For Joint Operations	66,646	
Restricted for Authorized Construction		
Restricted for Debt Service		
Unassigned	<u>2,885,834</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,089,275</u>	<u>\$ - 0 -</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 5,620,138</u>	<u>\$ 188,044</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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



Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 249,027	\$ 572,605	\$	\$ 572,605
			771,690	771,690
			929,610	929,610
	67,187	85,426		85,426
1,248,615	119,631	1,496,684	(1,496,684)	
8,336		8,336		8,336
		26,695		26,695
		416,007		416,007
		81,275	(66,646)	14,629
			49,317	49,317
			1,840,000	1,840,000
			59,148,721	59,148,721
<u>\$ 1,256,951</u>	<u>\$ 435,845</u>	<u>\$ 2,687,028</u>	<u>\$ 61,176,008</u>	<u>\$ 63,863,036</u>
<u>\$ 4,428,622</u>	<u>\$ -0-</u>	<u>\$ 6,153,297</u>	<u>\$ (102,277)</u>	<u>\$ 6,051,020</u>
\$	\$	\$ 136,795	\$ (136,795)	\$
		66,646	(66,646)	
	1,641,324	1,641,324	(1,641,324)	
4,123,002		4,123,002	(4,123,002)	
		2,885,834	(2,885,834)	
<u>\$ 4,123,002</u>	<u>\$ 1,641,324</u>	<u>\$ 8,853,601</u>	<u>\$ (8,853,601)</u>	<u>\$ - 0 -</u>
<u>\$ 9,808,575</u>	<u>\$ 2,077,169</u>	<u>\$ 17,693,926</u>		
			\$ (10,393,221)	\$ (10,393,221)
			3,416,180	3,416,180
			<u>3,608,871</u>	<u>3,608,871</u>
			<u>\$ (3,368,170)</u>	<u>\$ (3,368,170)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

Total Fund Balances - Governmental Funds	\$	8,853,601
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		494,646
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Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		48,777,465
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		1,106,321
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Deferred tax revenues and penalty and interest receivable on delinquent taxes for the 2015 and prior tax levies became part of recognized revenue in the governmental activities of the District.		139,135
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (929,610)	
Accrued Interest Payable	(821,007)	
Bonds Payable	<u>(60,988,721)</u>	<u>(62,739,338)</u>
Total Net Position - Governmental Activities		<u>\$ (3,368,170)</u>

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

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Special Revenue Fund
<b>REVENUES</b>		
Property Taxes	\$ 1,529,988	\$
Water Service	938,451	
Wastewater Service	1,053,516	
Joint Water and Wastewater Service		902,842
Penalty and Interest	132,566	
Sales Tax Revenue	58,050	
Tap Connection and Inspection Fees	121,145	
Investment Revenues	13,290	85
Ground Water Reduction Fees	678,497	
Parks and Recreational	24,986	
Miscellaneous Revenues	52,979	
<b>TOTAL REVENUES</b>	<b>\$ 4,603,468</b>	<b>\$ 902,927</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 218,963	\$ 4,278
Contracted Services	1,341,900	68,638
Purchased Water and Wastewater Service	803,529	
Utilities	18,425	229,930
Repairs and Maintenance	845,572	299,819
Ground Water Reduction Assessments	668,356	
Parks and Recreational	114,593	
Depreciation		
Other	228,093	300,262
Capital Outlay	464,932	
Debt Service:		
Payment to Refunding Bond Escrow Agent		
Bond Issuance Costs		
Bond Principal		
Bond Interest		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 4,704,363</b>	<b>\$ 902,927</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	<b>\$ (100,895)</b>	<b>\$ -0-</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$	\$
Transfer to Refunding Bond Escrow Agent		
Bond Premium		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (100,895)</b>	<b>\$</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - JANUARY 1, 2016</b>	<b>3,190,170</b>	
<b>FUND BALANCES/NET POSITION - DECEMBER 31, 2016</b>	<b>\$ 3,089,275</b>	<b>\$ -0-</b>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 4,286,022	\$	\$ 5,816,010	\$ (3,124)	\$ 5,812,886
		938,451		938,451
		1,053,516		1,053,516
		902,842	(803,529)	99,313
51,350		183,916	3,318	187,234
		58,050		58,050
		121,145		121,145
22,852	7,283	43,510		43,510
		678,497		678,497
		24,986		24,986
40	36,244	89,263		89,263
<u>\$ 4,360,264</u>	<u>\$ 43,527</u>	<u>\$ 9,910,186</u>	<u>\$ (803,335)</u>	<u>\$ 9,106,851</u>
\$ 13,124	\$ 32,951	\$ 269,316	\$	\$ 269,316
104,648		1,515,186		1,515,186
		803,529	(803,529)	
		248,355		248,355
		1,145,391	3,889	1,149,280
		668,356		668,356
		114,593		114,593
			1,694,905	1,694,905
21,982	4,300	554,637		554,637
	911,647	1,376,579	(1,376,579)	
18,000		18,000	(18,000)	
345,960		345,960	(52,015)	293,945
1,945,000		1,945,000	(1,945,000)	
2,214,071		2,214,071	114,587	2,328,658
<u>\$ 4,662,785</u>	<u>\$ 948,898</u>	<u>\$ 11,218,973</u>	<u>\$ (2,381,742)</u>	<u>\$ 8,837,231</u>
<u>\$ (302,521)</u>	<u>\$ (905,371)</u>	<u>\$ (1,308,787)</u>	<u>\$ 1,578,407</u>	<u>\$ 269,620</u>
\$ 8,085,000	\$	\$ 8,085,000	\$ (8,085,000)	\$
(8,240,138)		(8,240,138)	8,240,138	
507,126		507,126	(507,126)	
<u>\$ 351,988</u>	<u>\$ -0-</u>	<u>\$ 351,988</u>	<u>\$ (351,988)</u>	<u>\$ -0-</u>
\$ 49,467	\$ (905,371)	\$ (956,799)	\$ 956,799	\$
			269,620	269,620
<u>4,073,535</u>	<u>2,546,695</u>	<u>9,810,400</u>	<u>(13,448,190)</u>	<u>(3,637,790)</u>
<u>\$ 4,123,002</u>	<u>\$ 1,641,324</u>	<u>\$ 8,853,601</u>	<u>\$ (12,221,771)</u>	<u>\$ (3,368,170)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Governmental Funds	\$ (956,799)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(3,124)
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	3,318
---	-------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,694,905)
--	-------------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	1,372,690
---	-----------

Governmental funds report bond premiums as other financing sources in the year received. However, in the Statement of Net Position, the bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(455,111)
---	-----------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,945,000
---	-----------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(114,587)
---	-----------

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(8,085,000)
---	-------------

Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.	8,258,138
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Change in Net Position - Governmental Activities	\$ <u>269,620</u>
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The accompanying notes to the financial  
statements are an integral part of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Municipal Utility District No. 23 (the “District”) was created by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), effective February 15, 1978. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and, upon approval by the Commission and voters of the District to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on January 4, 1984, and the first bonds were sold on November 15, 1984.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

The District participates in a joint venture for the operation of a regional water and wastewater treatment plant (the “Plant”). Since the District owns and operates the Plant for the benefit of the participants, the Plant’s operations are accounted for in the Special Revenue Fund of the District, see Note 10. The District does not issue separate financial statements for the Plant.

**Financial Statement Presentation**

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

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

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



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

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

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

Special Revenue Fund – To account for financial resources collected and administered by the District for the operation of the regional water and wastewater facilities.

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

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

Basis of Accounting

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include 2015 taxes collected during the period October 1, 2015, to December 31, 2016. In addition, taxes collected from January 1, 2016, to December 31, 2016 for the 2014 and prior tax levies are included in revenue. The 2016 tax levy has been fully deferred.

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$10,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Budgeting

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

Pensions

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

Measurement Focus

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

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

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

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Measurement Focus (Continued)

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

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

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

Accounting Estimates

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3. LONG-TERM DEBT**

The District's bonds payable at December 31, 2016, consists of the following unlimited tax bonds:

	<u>Series 2006</u>	<u>Series 2007</u>
Amount Outstanding - December 31, 2016	\$ 510,000	\$ 795,000
Interest Rates	4.25%	4.625%
Maturity Dates - Serially Beginning/Ending	September 1, 2032	September 1, 2033/2034
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2013*	September 1, 2014*

	<u>Refunding Series 2010</u>	<u>Series 2010</u>	<u>Refunding Series 2012</u>
Amount Outstanding - December 31, 2016	\$ 11,440,000	\$ 5,925,000	\$ 7,665,000
Interest Rates	4.00%-4.625%	3.00%-5.00%	2.00%-3.375%
Maturity Dates - Serially Beginning/Ending	September 1, 2017/2029	September 1, 2017/2037	September 1, 2017/2032
Interest Payment Dates	March 1, September 1	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2017*	September 1, 2017*	September 1, 2019*

\* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2007 term bonds due September 1, 2034 are subject to mandatory redemption by lot or other customary method of a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules. Series 2010 term bonds due September 1, 2036, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

	<u>Refunding Series 2013</u>	<u>Refunding Series 2014</u>
Amount Outstanding - December 31, 2016	\$ 9,005,000	\$ 9,455,000
Interest Rates	2.00%-4.00%	2.00%-4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2017/2032	September 1, 2017/2035
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2020*	September 1, 2021*
	<u>Series 2015A</u>	<u>Series 2015B</u>
Amount Outstanding - December 31, 2016	\$ 4,240,000	\$ 3,550,000
Interest Rates	2.00%-3.50%	3.375%-3.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2018/2040	September 1, 2036/2040
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2022*	September 1, 2022*

\* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2015A term bonds due September 1, 2030, September 1, 2036, and September 1, 2040 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules. Series 2015B term bonds due September 1, 2040, are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1 in the years and amounts as reflected in the debt service schedules.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

	Refunding Series 2016	
	Current Interest Bonds	Capital Appreciation Bonds
Amount Outstanding - December 31, 2016	\$ 7,945,000	\$ 5,000
Interest Rates	2.00%-4.00%	1.25%
Maturity Dates - Serially Beginning/Ending	September 1, 2018/2035	September 1, 2017
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2023*	Non-Callable**

\* The Bonds are subject to redemption at the option of the District prior to their maturity in whole or from time to time in part, on the call date or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 term bonds due September 1, 2033 are subject to mandatory redemption by lot or other customary method at a price of par plus accrued interest on September 1, 2032.

\*\* The Series 2016 Capital Appreciation Bonds are non-callable. The par value of these bonds is \$5,000 and the maturity value is \$55,000. Interest on these bonds will be paid at maturity. As of December 31, 2016, the accreted value of these bonds is approximately \$54,317. Accrued interest of 49,317 has been recorded as a liability in the Statement of Net Position.

The following is a summary of transactions regarding long-term liabilities for the year ended December 31, 2016:

	January 1, 2016	Additions	Retirements/ Refunded	December 31, 2016
Bonds Payable	\$ 62,480,000	\$ 8,085,000	\$ 10,030,000	\$ 60,535,000
Unamortized Discounts	(811,962)		(199,915)	(612,047)
Unamortized Premiums	616,696	507,126	58,054	1,065,768
Total Long-Term Liabilities	<u>\$ 62,284,734</u>	<u>\$ 8,592,126</u>	<u>\$ 9,888,139</u>	<u>\$ 60,988,721</u>
		Amount Due Within One Year		\$ 1,840,000
		Amount Due After One Year		<u>59,148,721</u>
		Total Long-Term Liabilities		<u>\$ 60,988,721</u>

As of December 31, 2016, the District had authorized but unissued bonds in the amount of \$20,030,000 in tax bonds, \$9,362,166 in refunding bonds and \$3,250,000 in park and recreational facilities bonds.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

As of December 31, 2016, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,840,000	\$ 2,365,070	\$ 4,205,070
2018	1,960,000	2,271,120	4,231,120
2019	2,005,000	2,214,570	4,219,570
2020	2,065,000	2,152,333	4,217,333
2021	2,135,000	2,081,233	4,216,233
2022-2026	11,955,000	9,202,568	21,157,568
2027-2031	14,090,000	6,638,281	20,728,281
2032-2036	17,195,000	3,509,857	20,704,857
2037-2040	7,290,000	590,275	7,880,275
	<u>\$ 60,535,000</u>	<u>\$ 31,025,307</u>	<u>\$ 91,560,307</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended December 31, 2016, the District levied an ad valorem debt service tax at the rate of \$0.64 per \$100 of assessed valuation, which resulted in a tax levy of \$4,351,295 on the adjusted taxable valuation of \$679,889,917 for the 2016 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

The District's tax calendar is as follows:

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



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

The bond resolutions state that all investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the monies for such investments were taken; provided, however, at the discretion of the Board of Directors, the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund. In accordance with this provision, the earnings in each fund have been retained by the fund making the investment.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain financial repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

For the \$14,380,000 Series 2006 bond issue, the \$10,365,000 Series 2007 bond issue, the \$12,815,000 Series 2010 Refunding bond issue, the \$6,180,000 Series 2010 bond issue, the \$9,610,000 Series 2012 Refunding bond issue, the \$9,390,000 Series 2013 Refunding bond issue, the \$9,565,000 Series 2014 Refunding bond issue, the \$4,240,000 Series 2015A bond issue, \$3,550,000 Series 2015B Park bond issue and \$8,085,000 Series 2016 Refunding bond issue, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

**NOTE 5.      DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$11,732,893 and the bank balance was \$11,692,191. The District was not exposed to custodial credit risk at year-end.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2016, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 1,016,454	\$ 1,506,044	\$ 2,522,498
SPECIAL REVENUE FUND	38,097		38,097
DEBT SERVICE FUND	6,428,474	1,772,464	8,200,938
CAPITAL PROJECTS FUND	489,322	482,038	971,360
TOTAL DEPOSITS	<u>\$ 7,972,347</u>	<u>\$ 3,760,546</u>	<u>\$ 11,732,893</u>

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and 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, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

Investments (Continued)

agreements secured by delivery, (9) certain 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's Investment Policy is more restrictive than the Public Funds Investment Act and allows the District to only invest in the following investment types: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) certificates of deposit issued by a state or national bank domiciled in Texas, or a savings bank domiciled in Texas, or state or federal credit union domiciled in Texas that is guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Corporation or its successor; and secured by obligations that are authorized under the Investment Act, and (3) TexPool, Texas Class, TexSTAR and LOGIC, investment pools, provided they comply with the Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of December 31, 2016, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 19,362	\$ 19,362
TexSTAR	577,893	577,893
Certificate of Deposit	1,506,044	1,506,044
<u>DEBT SERVICE FUND</u>		
TexSTAR	489,861	489,861
Certificates of Deposit	1,772,464	1,772,464
<u>CAPITAL PROJECTS FUND</u>		
TexSTAR	1,103,912	1,103,912
Certificate of Deposit	482,038	482,038
<b>TOTAL INVESTMENTS</b>	<u><u>\$ 5,951,574</u></u>	<u><u>\$ 5,951,574</u></u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2016, the District's investments in TexPool and TexSTAR Fund were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and TexSTAR to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Restrictions

All cash and investments of the Special Revenue Fund are restricted for the regional water and wastewater treatment plant operations. All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016:

	January 1, 2016	Increases	Decreases	December 31, 2016
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 3,341,278	\$	\$	\$ 3,341,278
Construction in Progress	843,254	2,302,300	2,147,833	997,721
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 4,184,532</b>	<b>\$ 2,302,300</b>	<b>\$ 2,147,833</b>	<b>\$ 4,338,999</b>
<b>Capital Assets Subject to Depreciation</b>				
Administration Building and Park Improvements	\$ 2,636,962	\$ 339,542	\$	\$ 2,976,504
Water System	12,248,942	630,676		12,879,618
Wastewater System	16,796,083	418,801		17,214,884
Drainage System	31,862,002	758,814		32,620,816
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 63,543,989</b>	<b>\$ 2,147,833</b>	<b>\$ - 0 -</b>	<b>\$ 65,691,822</b>
<b>Less Accumulated Depreciation</b>				
Administration Building and Park Improvements	\$ 1,038,645	\$ 146,192	\$	\$ 1,184,837
Water System	4,526,923	401,712		4,928,635
Wastewater System	5,357,926	428,904		5,786,830
Drainage System	8,634,957	718,097		9,353,054
<b>Total Accumulated Depreciation</b>	<b>\$ 19,558,451</b>	<b>\$ 1,694,905</b>	<b>\$ - 0 -</b>	<b>\$ 21,253,356</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 43,985,538</b>	<b>\$ 452,928</b>	<b>\$ - 0 -</b>	<b>\$ 44,438,466</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 48,170,070</b>	<b>\$ 2,755,228</b>	<b>\$ 2,147,833</b>	<b>\$ 48,777,465</b>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7. MAINTENANCE TAX**

At an election held on April 7, 1984, the voters of the District authorized the levy and collection of an annual maintenance tax for the operation and maintenance of the District's improvements in an amount not to exceed \$0.25 per \$100 of assessed valuation. A maintenance tax is to be used by the General Fund to pay the expenditures of operating and maintaining the District's waterworks, sanitary sewer, and drainage system. During the year ended December 31, 2016, the District levied an ad valorem maintenance tax at the rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,699,725 on the taxable valuation of \$679,889,917 for the 2016 tax year.

**NOTE 8. EMERGENCY WATER SUPPLY CONTRACTS**

On November 3, 2003, the District executed an agreement with the Vicksburg Joint Powers Board and the City of Missouri City, Texas. The District agreed to construct at its sole cost an interconnect waterline to connect to an existing 12 inch waterline owned by the City. The meter for the interconnect facility and the waterline on the District's side of the meter will be owned by the District and the cost of maintenance at the point of connection including the meter and meter vault will be shared by the three parties. The District is required to calibrate the meter once a year. In accordance to the provisions of a separate agreement with the Fort Bend Independent School District, the District agreed to pay the school district \$24,649 for the oversizing of the City's waterline up to the point of connection. The rate charged for water under this agreement will be \$1.00 per 1,000 gallons of water supplied plus the cost of any pumpage fees imposed on the supplying party by a governmental entity. The term of the contract will be for a period of 40 years from the date of the agreement. On October 27, 2011, the District approved the assignment of this contract to the City. The City executed the assignment on December 19, 2011.

On May 23, 2006, the District entered into an Emergency Water Supply Agreement with Fort Bend County Fresh Water Supply District No. 1 (District No. 1). District No. 1 will be responsible for all costs associated with construction of such water interconnect facilities to be connected to District's system. The rates to be charged by each district for emergency water service shall be \$1.00 per 1,000 gallons plus any per 1,000 gallon pumpage fee that may be imposed on the supplying district by a governmental entity, including but not limited to the City of Missouri City or a regional water authority. The term of this agreement is 40 years from the execution date of the agreement.

**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 natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 10. REGIONAL WATER AND WASTEWATER TREATMENT PLANT, TRUNKLINES, DRAINAGE AND DETENTION AGREEMENT**

On May 1, 2004, the District entered into the Regional Water and Wastewater, Trunklines, Drainage and Detention Agreement (the "Agreement") with Fort Bend County Municipal Utility District No. 24 (District No. 24). On April 12, 2005, Amendment No. 1 and Amendment No. 2 to the Agreement were approved. On January 1, 2009, Amendment No. 3 to the agreement was approved. On February 25, 2010, Amendment No. 4 to the agreement was approved. The District owns and operates a water plant and wastewater treatment plant, a water distribution system, a wastewater collection system and a drainage system which has been funded by the sale of District bonds.

In accordance with the Agreement, District No. 24 will purchase capacity in the previously constructed water and wastewater facilities. Upon receipt of the purchase price from District No. 24, District No. 24 will own capacity to serve up to 1,100 single family equivalent connections, but never more than 18%, and the District will own the remaining capacity, but never less than 82%. The purchase price for capacity in then-existing facilities is established in the Agreement as \$1,563,000. In accordance with a letter agreement approved on December 19, 2008, between the District, District No. 24 and Skymark Development Company, Inc. ("Skymark"), the Developer of District No. 24, the District, in a prior year, received \$28,280 from Skymark as a partial payment of the amount due on December 31, 2008. In accordance with the letter agreement, Skymark was to satisfy the remaining balance due on December 31, 2008, with the conveyance of an undeveloped 8.536-acre tract of land to the District. During a prior fiscal year, the District was conveyed an undeveloped tract of land to satisfy the balance due on the December 31, 2008 payment. The District has received \$1,447,748 in cash and \$115,252 in land costs in accordance with the payment schedule as shown in the Agreement.

Any future expansions of the water or wastewater treatment plants or trunk lines will be shared by the districts at the 82% and 18% proportionate share or as otherwise indicated in the Agreement.

The District holds legal title to the regional water and wastewater plant and plant sites for the benefit of the districts. The District is responsible for operating the regional facilities. The Agreement calls for the District to establish the Regional Project Operating Account. In order to establish the initial balance in the account, each district provided a deposit in an amount equal to three month's expenses. This account was established in the amount of \$81,275. The District's portion of this advance for operations is \$66,646 and District No. 24's portion is \$14,629. The District generates monthly billings related to the regional facilities.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
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**NOTE 10. REGIONAL WATER AND WASTEWATER TREATMENT PLANT, TRUNKLINES, DRAINAGE AND DETENTION AGREEMENT**  
(Continued)

Amendment No. 3 to the Agreement was approved effective January 1, 2009. In accordance with the amendment to the Agreement, the monthly billings are allocated between the District and District No. 24 as follows:

Total Number of Connections in District No. 24	District No. 24 share of Project Expenses	District's share of Project Expenses
Up to 450 Connections	7.00%	93.00%
451 to 600 Connections	9.00%	91.00%
601 to 750 Connections	11.00%	89.00%
751 to 900 Connections	13.00%	87.00%
901 to 999 Connections	15.00%	85.00%
More than 999 Connections	18.00%	82.00%

During the year ended December 31, 2016, the District's share of the monthly billings was \$803,529 and District No. 24's share was \$99,313. As of December 31, 2016, the billings are calculated based upon the third tier as noted above. The District's share is 89% and District No. 24's share is 11% of the total billings.

The Agreement outlines that the water distribution system will be operated as an integrated system. In the event District No. 24 needs additional water capacity in excess of the 1,100 equivalent single family connections it is entitled to pursuant to this agreement, the additional capacity will be distributed through an entirely separate and independent water system than the regional facilities. A line of demarcation between the two independent water systems will be established. At the line of demarcation, there will be a point of connection that will be used as an emergency interconnect. District No. 24 will be responsible for 100% of the costs of such interconnect. Construction of the interconnect will include a two-way flow meter. The price to be paid for water delivered through the interconnect is \$1.00 per 1,000 gallons of water used plus any pumpage fees actually charged by a subsidence district, a regional water district or other governmental agency regulating groundwater production. The above rate will not apply if the supplying district has converted to surface water in whole or part. If this has occurred, the rate per 1,000 gallons will be the actual cost per thousand paid by the supplying district for the purchase of the surface water, excluding any capital costs.

The Agreement includes cost sharing for drainage, detention, and a lift station. Drainage relates to the Long Point Creek project. Each district will be responsible for 50% of Phase I cost. Phase II and subsequent phases will be split 78% and 22%, with the District being responsible for 78% of the costs and District No. 24 being responsible for 22% of the costs. Shared detention facilities costs will be split based upon proportions determined by the Engineer of the project. The District is responsible for 57% of the lift station costs and District No. 24 is responsible for 43% of the costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 10. REGIONAL WATER AND WASTEWATER TREATMENT PLANT,  
TRUNKLINES, DRAINAGE AND DETENTION AGREEMENT**  
(Continued)

The term of the Agreement is 50 years. Thereafter, the Agreement shall be renewed for successive one-year terms unless the City of Houston, or its successor or assigns, annexes and dissolves one or both of the districts.

**NOTE 11. JOINT GROUNDWATER REDUCTION PLAN PARTICIPATION  
AGREEMENT**

On July 1, 2008, the District entered into the Joint Groundwater Reduction Plan Participation Agreement (the "Agreement"). The Agreement is with the City of Missouri City, Texas (the "City"). This agreement was entered into in order to meet compliance criteria of the Fort Bend Subsidence District's (the "Subsidence District") District Regulatory Plan (the "Plan"). The Subsidence District issued the Plan in order to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction. Under the Plan, the District is required to have a groundwater reduction plan approved by the Subsidence District by the beginning date of the District's permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District's total water demand. Additional disincentive fees would be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2013, and exceeds 40% of the District's total water demand beginning January 2025.

The District may comply with the Plan's requirements either individually or collectively with other groundwater user(s) within the Subsidence District. The District has agreed to participate in the City's Groundwater Reduction Plan (the "GRP"). In accordance with the Agreement, the District will be assessed pumpage fees on an ongoing basis necessary to comply with the Plan. The current fee is \$1.65 per 1,000 gallons of water pumped. During the year ended December 31, 2016, the District recorded expenditures of \$668,356 related to these fees.

In addition, the City may issue bonds in order to finance the construction of the surface water system. Any bonds issued by the City to finance the surface water system costs will be secured by the pumpage fees paid to the City and may be further secured as the City deems necessary or appropriate. The Agreement shall remain in effect until December 31, 2058, and thereafter from year to year until payment in full of the principal, premium, if any, and interest on all bonds and all related fees to be paid under any bond resolution or indenture securing bonds.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12. INTERFUND RECEIVABLES, LIABILITIES**

As of December 31, 2016, the District had the following interfund liabilities: the Debt Service Fund owed the General Fund \$1,248,615 for maintenance tax collections; the General Fund owed the Special Revenue Funds \$127,025 for the water and wastewater treatment plant operating costs; the General Fund owed the Debt Service Fund \$1,413 for excess funds from the Series 2014 Refunding bond sale; the Capital Projects Fund owed the General Fund \$119,631 for construction costs.

**NOTE 13. ESCROW REQUIREMENT**

The Commission required the District to escrow \$127,504 of bond proceeds for 2,393 linear feet of 10-inch wastewater line and 14 manholes associated with the facilities to serve Cambridge Falls, Section 5 and \$465,000 for future recreational facilities. On March 18, 2015, the Commission rescinded the requirement to escrow the \$127,504 as noted above. Subsequent to year-end, on January 12, 2017, the District filed an application for the release of \$425,000 in surplus funds from the Series 2015A bonds, which is pending approval as of the date of this report. As of December 31, 2016, \$465,000 remains in escrow.

**NOTE 14. REFUNDING BOND SALE**

On February 23, 2016, the District issued \$8,085,000 of Unlimited Tax Refunding Bonds, Series 2016 to refund the a portion of the District's remaining balance of the Series 2006, Series 2007 and Series 2008 bonds. The net proceeds of \$8,240,138, plus \$18,000 of available Debt Service Fund monies, were used to retire \$2,940,000, \$3,485,000 and \$1,660,000 of the Series 2006, Series 2007 and Series 2008 bonds, respectively. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The effect of the refunding was to decrease total debt service by \$855,273 and obtain net present value savings of \$605,424.

**NOTE 15. STRATEGIC PARTNERSHIP AGREEMENT**

Effective December 19, 2011, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas (the "City"). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a commercial tract of land defined as the "Limited-Purpose Tract" for limited purposes and a commercial tract of land defined as the "Full-Purpose Tract" for full purposes. The City has annexed the full purpose tract and the limited purpose tract. In accordance with the agreement, the District is authorized to exercise all powers and functions of a municipal utility district provided by law, including, without limiting the foregoing, the power to incur additional debts, liabilities, or obligations, to construct additional utility facilities, or to contract with others for the provision and operation thereof, or sell or otherwise transfer property without prior approval of the City.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 15. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

The District shall not be liable for any present or future debts of the City, and current and future ad valorem taxes levied by the City will not be levied on taxable property within the District, other than within the full-purpose tract.

The City shall impose a Sales and Use Tax within the boundaries of both the full-purpose tract and the limited-purpose tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate provided within the City. The City agrees to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the full-purpose tract and the limited-purpose tract. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office.

The term of this agreement is 30 years from the effective date, unless terminated on an earlier date pursuant to other provisions or by express written agreement executed by the City and the District. Upon expiration of the initial term, the agreement will automatically be extended for successive one-year periods, unless either the City or the District gives notice to the other of its intent to terminate prior to any extension. The District received \$58,050 in relation to this agreement during the current fiscal year.

**NOTE 16. SUBSEQUENT EVENTS – REFUNDING BOND SALES AND PENDING BOND APPLICATION**

Subsequent to year-end, on April 20, 2017, the District issued \$7,225,000 of Unlimited Tax Refunding Bonds, Series 2017 to refund a portion of the District's remaining balance of the Series 2006, Series 2007 and Series 2010 bonds. The net proceeds of \$7,114,988, plus \$19,000 of available Debt Service Fund monies, were used to retire \$510,000, \$795,000 and \$5,700,000 of the Series 2006, Series 2007 and Series 2010 bonds, respectively. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The effect of the refunding was to decrease total debt service by \$761,279 and obtain net present value savings of \$508,170.

Subsequent to year-end, on January 19, 2017, the District submitted bond application no. 14 to the Commission in the amount of \$2,140,000. As of the date of this report, the application has not been approved.

Subsequent to year-end, on June 6, 2017, the District anticipates issuing Series 2017A Refunding Bonds in the amount of \$9,250,000. The net proceeds will be applied to refund a portion of the Series 2010 Refunding Bonds.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,510,384	\$ 1,529,988	\$ 19,604
Water Service	1,065,000	938,451	(126,549)
Wastewater Service	980,000	1,053,516	73,516
Penalty and Interest	110,000	132,566	22,566
Sales Tax Revenue	40,000	58,050	18,050
Tap Connection and Inspection Fees	60,000	121,145	61,145
Investment Revenues	10,000	13,290	3,290
Ground Water Reduction Fees	675,000	678,497	3,497
Parks and Recreational Revenues	25,000	24,986	(14)
Miscellaneous Revenues	<u>                    </u>	<u>52,979</u>	<u>52,979</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,475,384</u>	<u>\$ 4,603,468</u>	<u>\$ 128,084</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 233,500	\$ 218,963	\$ 14,537
Contracted Services	1,368,500	1,341,900	26,600
Purchased Water and Wastewater Service	824,533	803,529	21,004
Utilities	15,500	18,425	(2,925)
Repairs and Maintenance	950,000	845,572	104,428
Ground Water Reduction			
Assessments	685,000	668,356	16,644
Parks and Recreational	96,350	114,593	(18,243)
Other	276,580	228,093	48,487
Capital Outlay	<u>                    </u>	<u>464,932</u>	<u>(464,932)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,449,963</u>	<u>\$ 4,704,363</u>	<u>\$ (254,400)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 25,421	\$ (100,895)	\$ (126,316)
<b>FUND BALANCE - JANUARY 1, 2016</b>	<u>3,190,170</u>	<u>3,190,170</u>	<u>                    </u>
<b>FUND BALANCE - DECEMBER 31, 2016</b>	<u>\$ 3,215,591</u>	<u>\$ 3,089,275</u>	<u>\$ (126,316)</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Joint Water and Wastewater Service	\$ 926,750	\$ 902,842	\$ (23,908)
Investment Revenues	<u>2,500</u>	<u>85</u>	<u>(2,415)</u>
<b>TOTAL REVENUES</b>	<u>\$ 929,250</u>	<u>\$ 902,927</u>	<u>\$ (26,323)</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 5,500	\$ 4,278	\$ 1,222
Contracted Services	69,000	68,638	362
Utilities	225,000	229,930	(4,930)
Repairs and Maintenance	268,000	299,819	(31,819)
Other	<u>361,750</u>	<u>300,262</u>	<u>61,488</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 929,250</u>	<u>\$ 902,927</u>	<u>\$ 26,323</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - JANUARY 1, 2016</b>	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCE - DECEMBER 31, 2016</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**

**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**DECEMBER 31, 2016**





**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order adopted July 24, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 15.50	8,000	N	\$ 1.50 \$ 2.00 \$ 2.50	8,001 to 15,000 15,001 to 50,000 50,001 and over
WASTEWATER:	\$ 20.00		Y		
SURCHARGE:					
Solid Waste/ Garbage					
Commission					
Regulatory					
Assessments					
Ground Water	\$1.98 per 1,000 gallons of				
Reduction Fees	water used				
Other (Name)					

District employs winter averaging for wastewater usage?

             X    
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$18.50 Wastewater: \$20.00 Surcharge: \$19.80 Total: \$58.30

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<b>Meter Size</b>	<b>Total Connections</b>	<b>Active Connections</b>	<b>ESFC Factor</b>	<b>Active ESFCs</b>
Unmetered			x 1.0	
≤¾"	4,308	4,270	x 1.0	4,270
1"	89	88	x 2.5	220
1½"	3	3	x 5.0	15
2"	34	33	x 8.0	264
3"			x 15.0	
4"	1	1	x 25.0	25
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	4,435	4,395		4,794
Total Wastewater Connections	4,387	4,348	x 1.0	4,348

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)**

Gallons pumped into system:	447,943,000	Water Accountability Ratio: 95.7% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	373,161,000	
Gallons sold:	55,618,000	To: Fort Bend County Municipal Utility District No. 24

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**SERVICES AND RATES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which District is partly located:

City of Houston, Texas.  
City of Missouri City, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

PROFESSIONAL FEES:	
Auditing	\$ 17,250
Engineering	58,685
Legal	<u>143,028</u>
TOTAL PROFESSIONAL FEES	<u>\$ 218,963</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water and Wastewater Service	<u>\$ 803,529</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 28,513
Operations and Billing	<u>208,160</u>
TOTAL CONTRACTED SERVICES	<u>\$ 236,673</u>
UTILITIES:	
Electricity	<u>\$ 18,425</u>
REPAIRS AND MAINTENANCE	<u>\$ 845,572</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 25,200
Insurance	17,871
Office Supplies and Postage	55,497
Payroll Taxes	1,522
Election Costs	4,139
Travel and Meetings	14,050
Ground Water Reduction Assessment	668,356
Other	<u>26,482</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 813,117</u>
CAPITAL OUTLAY	<u>\$ 464,932</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

TAP CONNECTIONS	\$ <u>44,265</u>
SOLID WASTE DISPOSAL	\$ <u>666,602</u>
SECURITY	\$ <u>438,625</u>
PARKS AND RECREATION	\$ <u>114,593</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 11,977
Permit Fees	10,143
Inspection Fees	<u>16,947</u>
TOTAL OTHER EXPENDITURES	\$ <u>39,067</u>
TOTAL EXPENDITURES	\$ <u>4,704,363</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**INVESTMENTS**  
**DECEMBER 31, 2016**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<b><u>GENERAL FUND</u></b>					
TexPool	XXXX0002	Varies	Daily	\$ 19,362	\$
TexSTAR	XXXX2220	Varies	Daily	577,893	
Certificate of Deposit	XXXX2057	0.50%	07/17/17	<u>1,506,044</u>	<u>3,445</u>
TOTAL GENERAL FUND				<u>\$ 2,103,299</u>	<u>\$ 3,445</u>
<b><u>DEBT SERVICE FUND</u></b>					
TexSTAR	XXXX3000	Varies	Daily	\$ 489,861	\$
Certificate of Deposit	XXXX2876	0.51%	06/02/17	246,849	731
Certificate of Deposit	XXXX6141	0.60%	06/02/17	246,471	859
Certificate of Deposit	XXXX4015	0.60%	01/02/17	100,605	602
Certificate of Deposit	XXXX0903	0.50%	07/26/17	104,426	226
Certificate of Deposit	XXXX8041	0.50%	02/11/17	247,826	1,100
Certificate of Deposit	XXXX8299	0.60%	03/16/17	103,131	492
Certificate of Deposit	XXXX1865	0.75%	07/02/17	129,142	483
Certificate of Deposit	XXXX6293	0.65%	07/05/17	244,698	780
Certificate of Deposit	XXXX9371	0.50%	09/16/17	103,434	150
Certificate of Deposit	XXXX3634	0.90%	07/02/17	<u>245,882</u>	<u>1,103</u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,262,325</u>	<u>\$ 6,526</u>
<b><u>CAPITAL PROJECTS FUND</u></b>					
TexSTAR	XXXX4440	Varies	Daily	\$ 1,103,912	\$
Certificate of Deposit	XXXX0412	0.75%	10/18/17	240,965	366
Certificate of Deposit	XXXX6363	0.45%	11/25/17	<u>241,073</u>	<u>107</u>
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,585,950</u>	<u>\$ 473</u>
TOTAL - ALL FUNDS				<u><u>\$ 5,951,574</u></u>	<u><u>\$ 10,444</u></u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2016	\$ 406,963		\$ 1,149,404	
Adjustments to Beginning Balance	<u>(1,843)</u>	\$ 405,120	<u>(5,547)</u>	\$ 1,143,857
Original 2016 Tax Levy	\$ 1,686,261		\$ 4,316,827	
Adjustment to 2016 Tax Levy	<u>13,464</u>	<u>1,699,725</u>	<u>34,468</u>	<u>4,351,295</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,104,845		\$ 5,495,152
TAX COLLECTIONS:				
Prior Years	\$ 380,170		\$ 1,066,530	
Current Year	<u>1,296,400</u>	<u>1,676,570</u>	<u>3,318,785</u>	<u>4,385,315</u>
TAXES RECEIVABLE - DECEMBER 31, 2016		<u>\$ 428,275</u>		<u>\$ 1,109,837</u>
TAXES RECEIVABLE BY YEAR:				
2016		\$ 403,325		\$ 1,032,510
2015		5,828		16,319
2014		3,841		12,291
2013		3,227		10,325
2012		2,799		9,182
2011		2,274		7,094
2010		2,205		6,881
2009		1,905		5,716
2008		896		2,366
2007 and Prior		<u>1,975</u>		<u>7,153</u>
TOTAL		<u>\$ 428,275</u>		<u>\$ 1,109,837</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
PROPERTY VALUATIONS:				
Land	\$ 134,484,990	\$ 131,472,620	\$ 126,656,300	\$ 127,495,100
Improvements	605,776,950	534,815,010	418,700,760	381,473,820
Personal Property	9,728,461	9,043,080	10,255,220	9,027,914
Exemptions	<u>(70,100,484)</u>	<u>(62,808,197)</u>	<u>(33,135,820)</u>	<u>(28,038,372)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 679,889,917</u>	<u>\$ 612,522,513</u>	<u>\$ 522,476,460</u>	<u>\$ 489,958,462</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.64	\$ 0.70	\$ 0.80	\$ 0.80
Maintenance	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.89</u>	<u>\$ 0.95</u>	<u>\$ 1.05</u>	<u>\$ 1.05</u>
ADJUSTED TAX LEVY*	<u>\$ 6,051,020</u>	<u>\$ 5,820,276</u>	<u>\$ 5,486,645</u>	<u>\$ 5,144,730</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>76.27 %</u>	<u>99.62 %</u>	<u>99.71 %</u>	<u>99.74 %</u>

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

Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on April 7, 1984.

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

S E R I E S - 2 0 0 6			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$	\$ 21,675	\$ 21,675
2018		21,675	21,675
2019		21,675	21,675
2020		21,675	21,675
2021		21,675	21,675
2022		21,675	21,675
2023		21,675	21,675
2024		21,675	21,675
2025		21,675	21,675
2026		21,675	21,675
2027		21,675	21,675
2028		21,675	21,675
2029		21,675	21,675
2030		21,675	21,675
2031		21,675	21,675
2032	510,000	21,675	531,675
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 510,000</u>	<u>\$ 346,800</u>	<u>\$ 856,800</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

S E R I E S - 2 0 0 7			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$	\$ 36,769	\$ 36,769
2018		36,769	36,769
2019		36,769	36,769
2020		36,769	36,769
2021		36,769	36,769
2022		36,769	36,769
2023		36,769	36,769
2024		36,769	36,769
2025		36,769	36,769
2026		36,769	36,769
2027		36,769	36,769
2028		36,769	36,769
2029		36,769	36,769
2030		36,769	36,769
2031		36,769	36,769
2032		36,769	36,769
2033	400,000	36,769	436,769
2034	395,000	18,269	413,269
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 795,000</u>	<u>\$ 643,342</u>	<u>\$ 1,438,342</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

REFUNDING SERIES - 2010			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 325,000	\$ 493,032	\$ 818,032
2018	815,000	480,032	1,295,032
2019	845,000	447,432	1,292,432
2020	880,000	413,632	1,293,632
2021	925,000	378,432	1,303,432
2022	965,000	341,432	1,306,432
2023	275,000	301,624	576,624
2024	300,000	289,800	589,800
2025	1,140,000	276,674	1,416,674
2026	1,195,000	226,800	1,421,800
2027	1,255,000	173,024	1,428,024
2028	1,320,000	116,550	1,436,550
2029	1,200,000	55,500	1,255,500
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 11,440,000</u>	<u>\$ 3,993,964</u>	<u>\$ 15,433,964</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 75,000	\$ 284,325	\$ 359,325
2018	75,000	282,075	357,075
2019	75,000	279,525	354,525
2020	75,000	276,788	351,788
2021	75,000	273,938	348,938
2022	100,000	271,012	371,012
2023	100,000	266,012	366,012
2024	100,000	261,012	361,012
2025	100,000	256,012	356,012
2026	100,000	251,012	351,012
2027	100,000	246,012	346,012
2028	150,000	241,012	391,012
2029	150,000	233,512	383,512
2030	150,000	226,012	376,012
2031	150,000	218,512	368,512
2032	150,000	211,012	361,012
2033	150,000	203,512	353,512
2034	150,000	196,012	346,012
2035	150,000	189,075	339,075
2036	1,825,000	182,025	2,007,025
2037	1,925,000	96,250	2,021,250
2038			
2039			
2040			
	<u>\$ 5,925,000</u>	<u>\$ 4,944,657</u>	<u>\$ 10,869,657</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 780,000	\$ 232,325	\$ 1,012,325
2018	330,000	216,725	546,725
2019	340,000	210,125	550,125
2020	345,000	199,925	544,925
2021	355,000	189,575	544,575
2022	365,000	178,925	543,925
2023	1,105,000	167,975	1,272,975
2024	1,130,000	132,062	1,262,062
2025	380,000	95,338	475,338
2026	390,000	82,988	472,988
2027	400,000	70,312	470,312
2028	410,000	57,312	467,312
2029	285,000	43,988	328,988
2030	360,000	34,725	394,725
2031	350,000	23,025	373,025
2032	340,000	11,475	351,475
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 7,665,000</u>	<u>\$ 1,946,800</u>	<u>\$ 9,611,800</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

REFUNDING SERIES - 2013			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 315,000	\$ 330,900	\$ 645,900
2018	315,000	324,600	639,600
2019	325,000	318,300	643,300
2020	335,000	311,800	646,800
2021	340,000	301,750	641,750
2022	345,000	291,550	636,550
2023	375,000	281,200	656,200
2024	385,000	266,200	651,200
2025	365,000	250,800	615,800
2026	375,000	236,200	611,200
2027	395,000	221,200	616,200
2028	410,000	205,400	615,400
2029	430,000	189,000	619,000
2030	445,000	171,800	616,800
2031	2,125,000	154,000	2,279,000
2032	1,725,000	69,000	1,794,000
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
	<u>\$ 9,005,000</u>	<u>\$ 3,923,700</u>	<u>\$ 12,928,700</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

REFUNDING SERIES - 2014

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 340,000	\$ 339,900	\$ 679,900
2018	340,000	333,100	673,100
2019	335,000	326,300	661,300
2020	345,000	319,600	664,600
2021	350,000	309,250	659,250
2022	360,000	298,750	658,750
2023	370,000	287,950	657,950
2024	375,000	276,850	651,850
2025	380,000	265,600	645,600
2026	390,000	250,400	640,400
2027	400,000	234,800	634,800
2028	410,000	218,800	628,800
2029	745,000	202,400	947,400
2030	440,000	172,600	612,600
2031	445,000	155,000	600,000
2032	460,000	137,200	597,200
2033	2,855,000	118,800	2,973,800
2034	60,000	4,600	64,600
2035	55,000	2,200	57,200
2036			
2037			
2038			
2039			
2040			
	<u>\$ 9,455,000</u>	<u>\$ 4,254,100</u>	<u>\$ 13,709,100</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

S E R I E S - 2 0 1 5 A			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$	\$ 140,119	\$ 140,119
2018	25,000	140,119	165,119
2019	25,000	139,619	164,619
2020	25,000	139,119	164,119
2021	25,000	138,619	163,619
2022	25,000	138,119	163,119
2023	25,000	137,369	162,369
2024	25,000	136,619	161,619
2025	25,000	135,869	160,869
2026	25,000	135,119	160,119
2027	25,000	134,368	159,368
2028	25,000	133,618	158,618
2029	25,000	132,868	157,868
2030	1,000,000	132,118	1,132,118
2031	25,000	102,118	127,118
2032	25,000	101,275	126,275
2033	25,000	100,432	125,432
2034	25,000	99,588	124,588
2035	25,000	98,744	123,744
2036	500,000	97,900	597,900
2037	515,000	81,025	596,025
2038	600,000	63,000	663,000
2039	600,000	42,000	642,000
2040	600,000	21,000	621,000
	<u>\$ 4,240,000</u>	<u>\$ 2,720,744</u>	<u>\$ 6,960,744</u>

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

S E R I E S - 2 0 1 5 B			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$	\$ 123,625	\$ 123,625
2018		123,625	123,625
2019		123,625	123,625
2020		123,625	123,625
2021		123,625	123,625
2022		123,625	123,625
2023		123,625	123,625
2024		123,625	123,625
2025		123,625	123,625
2026		123,625	123,625
2027		123,625	123,625
2028		123,625	123,625
2029		123,625	123,625
2030		123,625	123,625
2031		123,625	123,625
2032		123,625	123,625
2033		123,625	123,625
2034		123,625	123,625
2035		123,625	123,625
2036	500,000	123,625	623,625
2037	600,000	106,750	706,750
2038	700,000	85,750	785,750
2039	800,000	61,250	861,250
2040	950,000	33,250	983,250
	<u>\$ 3,550,000</u>	<u>\$ 2,759,500</u>	<u>\$ 6,309,500</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

REFUNDING SERIES - 2016			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2017	\$ 5,000	\$ 362,400	\$ 367,400
2018	60,000	312,400	372,400
2019	60,000	311,200	371,200
2020	60,000	309,400	369,400
2021	65,000	307,600	372,600
2022	70,000	305,650	375,650
2023	70,000	303,550	373,550
2024	70,000	301,450	371,450
2025	75,000	298,650	373,650
2026	80,000	295,650	375,650
2027	85,000	292,450	377,450
2028	90,000	289,050	379,050
2029	95,000	285,450	380,450
2030	95,000	282,600	377,600
2031	100,000	278,800	378,800
2032	105,000	274,800	379,800
2033	110,000	270,600	380,600
2034	3,060,000	266,200	3,326,200
2035	3,595,000	143,800	3,738,800
2036			
2037			
2038			
2039			
2040			
	<u>\$ 7,950,000</u>	<u>\$ 5,491,700</u>	<u>\$ 13,441,700</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**DECEMBER 31, 2016**

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 1,840,000	\$ 2,365,070	\$ 4,205,070
2018	1,960,000	2,271,120	4,231,120
2019	2,005,000	2,214,570	4,219,570
2020	2,065,000	2,152,333	4,217,333
2021	2,135,000	2,081,233	4,216,233
2022	2,230,000	2,007,507	4,237,507
2023	2,320,000	1,927,749	4,247,749
2024	2,385,000	1,846,062	4,231,062
2025	2,465,000	1,761,012	4,226,012
2026	2,555,000	1,660,238	4,215,238
2027	2,660,000	1,554,235	4,214,235
2028	2,815,000	1,443,811	4,258,811
2029	2,930,000	1,324,787	4,254,787
2030	2,490,000	1,201,924	3,691,924
2031	3,195,000	1,113,524	4,308,524
2032	3,315,000	986,831	4,301,831
2033	3,540,000	853,738	4,393,738
2034	3,690,000	708,294	4,398,294
2035	3,825,000	557,444	4,382,444
2036	2,825,000	403,550	3,228,550
2037	3,040,000	284,025	3,324,025
2038	1,300,000	148,750	1,448,750
2039	1,400,000	103,250	1,503,250
2040	1,550,000	54,250	1,604,250
	\$ 60,535,000	\$ 31,025,307	\$ 91,560,307

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Description	Original Bonds Issued	Bonds Outstanding January 1, 2016
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2006	\$ 14,380,000	\$ 3,450,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2007	10,365,000	4,480,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2008	2,000,000	1,710,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2008A	1,975,000	70,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Refunding Bonds - Series 2010	12,815,000	11,615,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2010	6,180,000	5,975,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Refunding Bonds - Series 2012	9,610,000	8,570,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Refunding Bonds - Series 2013	9,390,000	9,310,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Refunding Bonds - Series 2014	9,565,000	9,510,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Bonds - Series 2015A	4,240,000	4,240,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Park Bonds - Series 2015B	3,550,000	3,550,000
Fort Bend County Municipal Utility District No. 23 Unlimited Tax Refunding Bonds - Series 2016	<u>8,085,000</u>	<u>                    </u>
<b>TOTAL</b>	<u><u>\$ 92,155,000</u></u>	<u><u>\$ 62,480,000</u></u>

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2016	Paying Agent
	Principal	Interest		
\$	\$ 2,940,000	\$ 21,675	\$ 510,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	3,685,000	44,769	795,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	1,710,000	2,250	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	70,000	3,675	-0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	499,156	11,440,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	50,000	285,825	5,925,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	905,000	250,425	7,665,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	305,000	337,000	9,005,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	55,000	341,000	9,455,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		140,119	4,240,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
		123,625	3,550,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
8,085,000	135,000	164,552	7,950,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
\$ 8,085,000	\$ 10,030,000	\$ 2,214,071	\$ 60,535,000	

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**CHANGE IN LONG-TERM BOND DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>	<u>Parks and Recreational Facilities Bonds</u>
Amount Authorized by Voters	\$ 90,775,000	\$ 13,245,000	\$ 8,800,000
Amount Issued	<u>70,745,000</u>	<u>3,882,834</u>	<u>5,550,000</u>
Remaining to be Issued	<u>\$ 20,030,000</u>	<u>\$ 9,362,166</u>	<u>\$ 3,250,000</u>
Debt Service Fund cash and investment balances as of December 31, 2016:			<u>\$ 8,690,799</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:			<u>\$ 3,815,013</u>

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

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

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 1,529,988	\$ 1,331,005	\$ 1,221,205
Water Service	938,451	919,741	885,395
Wastewater Service	1,053,516	1,020,248	978,837
Penalty and Interest	132,566	134,639	110,728
Sales Tax Revenue	58,050	35,298	45,670
Tap Connection and Inspection Fees	121,145	188,305	98,090
Investment Revenues	13,290	10,010	9,563
Ground Water Reduction Fees	678,497	691,305	678,844
Parks and Recreational	24,986	17,816	
Miscellaneous Revenues	52,979	43,523	95,364
<b>TOTAL REVENUES</b>	<u>\$ 4,603,468</u>	<u>\$ 4,391,890</u>	<u>\$ 4,123,696</u>
<b>EXPENDITURES</b>			
Professional Fees	\$ 218,963	\$ 237,536	\$ 291,373
Contracted Services	1,341,900	1,265,265	1,306,903
Purchased Water and Wastewater Services	803,529	827,472	1,206,866
Utilities	18,425	17,755	15,579
Repairs and Maintenance	845,572	771,379	757,649
Parks and Recreational	114,593	83,413	
Ground Water Reduction Assessments	668,356	681,331	625,405
Other	228,093	212,238	360,178
Capital Outlay	464,932		176,608
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,704,363</u>	<u>\$ 4,096,389</u>	<u>\$ 4,740,561</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (100,895)</u>	<u>\$ 295,501</u>	<u>\$ (616,865)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In(Out)	<u>\$ - 0 -</u>	<u>\$ 201,137</u>	<u>\$ - 0 -</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (100,895)</u>	<u>\$ 496,638</u>	<u>\$ (616,865)</u>
<b>BEGINNING FUND BALANCE</b>	<u>3,190,170</u>	<u>2,693,532</u>	<u>3,310,397</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 3,089,275</u></u>	<u><u>\$ 3,190,170</u></u>	<u><u>\$ 2,693,532</u></u>

See accompanying independent auditor's report.



		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 1,184,459	\$ 1,243,535	33.2 %	30.4 %	29.7 %	29.9 %	31.4 %
881,590	845,847	20.4	20.9	21.4	22.2	21.4
934,050	913,041	22.9	23.2	23.7	23.6	23.1
102,022	99,324	2.9	3.1	2.7	2.6	2.5
38,770	17,782	1.3	0.8	1.1	1.0	0.4
89,100	105,323	2.6	4.3	2.4	2.3	2.7
10,623	12,626	0.3	0.2	0.2	0.3	0.3
583,909	580,772	14.7	15.7	16.5	14.8	14.7
		0.5	0.4			
129,341	137,786	1.2	1.0	2.3	3.3	3.5
\$ 3,953,864	\$ 3,956,036	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 112,726	\$ 152,201	4.8 %	5.4 %	7.1 %	2.9 %	3.8 %
1,280,809	1,230,169	29.1	28.8	31.7	32.4	31.1
812,606	749,893	17.5	18.8	29.3	20.6	19.0
23,471	16,705	0.4	0.4	0.4	0.6	0.4
616,463	665,803	18.4	17.6	18.4	15.6	16.8
		2.5	1.9			
525,140	511,805	14.5	15.5	15.2	13.3	12.9
213,071	261,695	5.0	4.8	8.7	5.4	6.6
33,663	271,053	10.1		4.3	0.9	6.9
\$ 3,617,949	\$ 3,859,324	102.3 %	93.2 %	115.1 %	91.7 %	97.5 %
\$ 335,915	\$ 96,712	(2.3) %	6.8 %	(15.1) %	8.3 %	2.5 %
\$ - 0 -	\$ 45,415					
\$ 335,915	\$ 142,127					
2,974,482	2,832,355					
\$ 3,310,397	\$ 2,974,482					

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2016	2015	2014
<b>REVENUES</b>			
Property Taxes	\$ 4,286,022	\$ 4,259,601	\$ 3,907,970
Penalty and Interest	51,350	44,141	52,027
Interest on Investments	22,852	22,373	16,582
Miscellaneous Revenues	40		35,870
<b>TOTAL REVENUES</b>	<u>\$ 4,360,264</u>	<u>\$ 4,326,115</u>	<u>\$ 4,012,449</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 133,004	\$ 141,119	\$ 114,974
Debt Service Principal	1,945,000	1,765,000	1,650,000
Debt Service Interest and Fees	2,220,821	2,313,185	2,364,311
Payment to Refunding Bond Escrow Agent	18,000		18,000
Bond Issuance Costs	345,960		368,362
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,662,785</u>	<u>\$ 4,219,304</u>	<u>\$ 4,515,647</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (302,521)</u>	<u>\$ 106,811</u>	<u>\$ (503,198)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ 8,085,000	\$	\$ 9,565,000
Transfer to Refunding Bond Escrow Agent	(8,240,138)		(9,303,420)
Bond Discount			
Bond Premium	507,126		113,086
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ 351,988</u>	<u>\$ - 0 -</u>	<u>\$ 374,666</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 49,467	\$ 106,811	\$ (128,532)
<b>BEGINNING FUND BALANCE</b>	<u>4,073,535</u>	<u>3,966,724</u>	<u>4,095,256</u>
<b>ENDING FUND BALANCE</b>	<u><u>\$ 4,123,002</u></u>	<u><u>\$ 4,073,535</u></u>	<u><u>\$ 3,966,724</u></u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>4,395</u>	<u>4,308</u>	<u>4,179</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>4,348</u>	<u>4,310</u>	<u>4,136</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2013	2012	2016	2015	2014	2013	2012
\$ 3,882,809	\$ 3,879,389	98.3 %	98.5 %	97.4 %	97.8 %	97.8 %
64,692	56,015	1.2	1.0	1.3	1.6	1.4
22,432	31,898	0.5	0.5	0.4	0.6	0.8
	94			0.9		
<u>\$ 3,969,933</u>	<u>\$ 3,967,396</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 117,782	\$ 117,248	3.1 %	3.3 %	2.9 %	3.0 %	3.0 %
1,610,000	2,970,000	44.6	40.8	41.1	40.6	74.9
2,285,600	2,812,789	50.9	53.5	58.9	57.6	70.9
144,000	11,000	0.4		0.4	3.6	0.3
478,180	386,075	7.9		9.2	12.0	9.7
<u>\$ 4,635,562</u>	<u>\$ 6,297,112</u>	<u>106.9 %</u>	<u>97.6 %</u>	<u>112.5 %</u>	<u>116.8 %</u>	<u>158.8 %</u>
<u>\$ (665,629)</u>	<u>\$ (2,329,716)</u>	<u>(6.9) %</u>	<u>2.4 %</u>	<u>(12.5) %</u>	<u>(16.8) %</u>	<u>(58.8) %</u>
\$ 9,390,000	\$ 9,610,000					
(9,374,620)	(9,258,482)					
	(91,295)					
450,996	143,175					
<u>\$ 466,376</u>	<u>\$ 403,398</u>					
\$ (199,253)	\$ (1,926,318)					
4,294,509	6,220,827					
<u>\$ 4,095,256</u>	<u>\$ 4,294,509</u>					
<u>4,099</u>	<u>4,043</u>					
<u>4,061</u>	<u>3,999</u>					

See accompanying independent auditor's report.

District Mailing Address - Fort Bend County Municipal Utility District No. 23  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 23**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**DECEMBER 31, 2016**

<b>Consultants:</b>	<u>Date Hired</u>	<u>District Fees for the year ended December 31, 2016</u>	<u>Special Revenue Fund Fees for the year ended December 31, 2016</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/26/03	\$ 180,117	\$ 1,278	General Counsel
		\$ 86,202	\$ -0-	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	11/19/96	\$ 17,250	\$ 3,000	Audit Related
		\$ 750	\$ -0-	Bond Related
Myrtle Cruz, Inc.	01/23/84	\$ 37,463	\$ 6,352	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/22/96	\$ 13,124	\$ -0-	Delinquent Tax Attorney
LJA Engineering & Surveying, Inc.	01/23/84	\$ 158,189	\$ -0-	Engineer
Rathmann & Associates, L.P.	04/24/03	\$ 106,675	\$ -0-	Financial Advisor
Mary Jarmon	11/29/01	\$ -0-	\$ -0-	Investment Officer
Municipal District Services, LLC	12/01/09	\$ 913,647	\$ 340,852	Operator
Thomas W. Lee	02/08/84	\$ 67,766	\$ -0-	Tax Assessor/ Collector

See accompanying independent auditor's report.



## SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

**FINANCIAL GUARANTY INSURANCE POLICY**  
**National Public Finance Guarantee Corporation**  
**Purchase, New York 10577**

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that 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 guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]  
 [FIRST LINE OF LEGAL TITLE]  
 [SECOND LINE OF LEGAL TITLE]  
 [THIRD LINE OF LEGAL TITLE]  
 [FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable by the Insurer for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations. The Insurer may not cancel or refuse to renew this policy based solely on the fact that the policyholder is an elected official.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

**National Public Finance  
Guarantee Corporation**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

**DISCLOSURE OF GUARANTY FUND NONPARTICIPATION:** In the event the Insurer is unable to fulfill its contractual obligation under this policy or contract or application or certificate or evidence of coverage, the policyholder or certificateholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

