

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2016**

**This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.**

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS – TAX EXEMPTIONS" HEREIN, WHICH INCLUDES A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING A DESCRIPTION OF ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS ARE NOT "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

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

Underlying Rating: Moody's "A3"  
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**\$11,000,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 134C**  
*(A political subdivision of the State of Texas located within Fort Bend County)*

**UNLIMITED TAX BONDS  
SERIES 2016**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 134C (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Houston or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

Dated: October 1, 2016

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially Wells Fargo Bank, N.A., Minneapolis, Minnesota (the "Paying Agent/Registrar"). Interest on the Bonds accrues from October 1, 2016, and is payable each March 1 and September 1, commencing March 1, 2017, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

**MATURITY SCHEDULE**

Principal Amount (a)	Maturity (September 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)	Principal Amount (a)	Maturity (September 1)	CUSIP Number(c)	Interest Rate	Initial Reoffering Yield(d)
\$ 460,000	2017		%	%	\$ 460,000	2029 (b)		%	%
460,000	2018				460,000	2030 (b)			
460,000	2019				460,000	2031 (b)			
460,000	2020				460,000	2032 (b)			
460,000	2021				455,000	2033 (b)			
460,000	2022				455,000	2034 (b)			
460,000	2023				455,000	2035 (b)			
460,000	2024 (b)				455,000	2036 (b)			
460,000	2025 (b)				455,000	2037 (b)			
460,000	2026 (b)				455,000	2038 (b)			
460,000	2027 (b)				455,000	2039 (b)			
460,000	2028 (b)				455,000	2040 (b)			

- (a) The Underwriter may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE and OFFICIAL BID FORM."
- (b) Bonds maturing on or after September 1, 2024, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on September 1, 2023, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as herein defined) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (d) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 25, 2016.

**Bids Due: Monday, September 26, 2016, at 11:00 A.M., Houston Time in Houston, Texas**  
**Bid Award: Monday, September 26, 2016, at 12:00 Noon, Houston Time in Houston, Texas**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, Suite 1100, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

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

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating (i) the prices at which a substantial amount of the Bonds of each maturity have been sold to the public, and/or (ii) the price at which the Underwriter reasonably expected to sell a substantial amount of the Bonds of a particular maturity to the public, but for which a substantial amount of such maturity has not been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the initial reoffering yields or prices of the Bonds. Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

### **Securities Laws**

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

<i>Description...</i>	The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an Order Dividing Fort Bend County Municipal Utility District No. 134 and Redefining Boundaries, dated August 10, 2007 (the “Order Dividing”), pursuant to Chapter 1342, Acts of the 77 <sup>th</sup> Legislature, Regular Session, 2001, as amended by Senate Bill 1872, 79 <sup>th</sup> Legislature, Regular Session, 2005, and Senate Bill 1823, 83 <sup>rd</sup> Legislature, Regular Session, 2013 (collectively, the “Act”). The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 878 acres of land. See “THE DISTRICT.”
<i>Location...</i>	The District is located in Fort Bend County, approximately 28 miles southwest of the central downtown business district of the City of Houston and entirely within the extraterritorial jurisdiction of the City of Houston. The District is generally bounded by Texas State Highway 99 (Grand Parkway) on the west, Madden Road on the north, West Airport on the South and Old Farm-to-Market 1464 and Clodine Road on the east. See “THE DISTRICT” and “AERIAL LOCATION MAP.”
<i>Aliana...</i>	The District is part of the approximately 2,000 acre master-planned community known as “Aliana.” Aliana is comprised of the District, Fort Bend County Municipal Utility District No. 134A (“MUD 134A” or the “Master District”) and Fort Bend County Municipal Utility District No. 134B (“MUD 134B”). The District, MUD 134A and MUD 134B are collectively referred to as the “Aliana Districts.” See “ALIANA.”
<i>The Developer and Principal Land Owner...</i>	The developer of Aliana is Aliana Development Company, a Texas corporation (“ADC” or “Developer”). The controlling interests in ADC are primarily owned by various lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. The land within the Aliana project boundaries was initially owned by BAM Houston Real Estate Investment, a Texas limited partnership (“BREI”). ADC has an exclusive option to purchase all of the land in the Aliana project and has to date purchased approximately 1,565 acres of the total project acreage of approximately 2,000 acres. BREI is a separate and distinct entity which functions solely as a land holding company, but it does have some commonality of ownership with ADC involving the lineal descendants of Lester Binion and Phyllis Cope. The President of ADC is E. Travis Stone, Jr. See “DEVELOPER.”
<i>Status of Development ...</i>	<p>Approximately 563 acres in the District have been developed as 2,046 single-family residential lots. As of July 27, 2016, the District consisted of 1,935 completed homes (1,924 were occupied), 80 homes under construction or in a builder’s name and 31 vacant developed lots available for home construction.</p> <p>In addition, approximately 10 acres of commercial reserves have been provided with utilities where a CVS Pharmacy has been constructed on approximately 2 acres, a Montessori school is currently under construction on approximately 2 acres with an expected completion date of late 2016, and a Kiddie Academy daycare facility is under construction on approximately 2 acres with an expected completion date of fall 2016. In addition, an HEB grocery is under construction on approximately 16 acres with an expected completion date of October 2016. Approximately 9 acres have been developed as a school site where an elementary school is located. Approximately 84 developable acres remain undeveloped and approximately 194 acres are undevelopable (utility sites, recreation and easements). See “THE DISTRICT—Land Use—Status of Development.”</p>

<i>Homebuilding...</i>	Homebuilders active within the District include: Ashton Woods Homes, Highland Homes, Meritage Homes, MHI Partnership, Perry Homes, Ryland Homes and Village Builders. According to the Developer, homes range in price from approximately \$280,000 to \$800,000. See “THE DISTRICT—Status of Development—Homebuilders within the District.”
<i>Regional Facilities...</i>	The Master District has contracted with the Aliana Districts to provide water supply and wastewater treatment as well as regional water distribution, wastewater collection trunk lines and storm water collection trunk lines necessary to serve Aliana (collectively, the “Master District Facilities”). See “WATER, WASTEWATER AND DRAINAGE.”
<i>Payment Record...</i>	The District has previously issued seven series of unlimited tax bonds totaling \$42,310,000 principal amount, four series of unlimited tax road bonds totaling \$29,350,000 principal amount and one series of unlimited tax road refunding bonds totaling \$4,425,000 principal amount. The District has a total of \$67,255,000 principal amount of bonds outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted on its debt service obligations. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

## **THE BONDS**

<i>Description...</i>	Fort Bend County Municipal Utility District No. 134C Unlimited Tax Bonds, Series 2016, in the aggregate principal amount of \$11,000,000 maturing serially on September 1 in each year 2017 through 2040, inclusive. Interest accrues from October 1, 2016, at the rates per annum set forth on the cover page hereof, and is payable on March 1, 2017, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds will be issued as fully registered bonds, pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”), adopted by the Board of Directors of the District (the “Board”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—General.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC (“Registered Owner”). One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay construction costs outlined herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” to pay interest on funds that have been advanced by the Developer on behalf of the District; and to pay legal fees, financial advisory fees, administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the eighth series of bonds issued out of an aggregate of \$183,000,000 principal amount of unlimited tax bonds authorized by the District’s voters on November 6, 2007, for the purpose of providing water, wastewater and storm drainage improvements and facilities to the land within its boundaries. The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (“TCEQ”), the Bond Order, the Texas Constitution and the general laws of the State of Texas. See “THE BONDS—Authority for Issuance” and “Issuance of Additional Debt.” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Future Debt...</i>	The District expects to sell approximately \$5,800,000 principal amount of unlimited tax road bonds in late 2016. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

<i>Source of Payment...</i>	Principal of and interest on the Outstanding Bonds and the Bonds (and such additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied upon taxable property within the District. See “THE BONDS—Source of and Security for Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application was made to Moody’s Investors Service (“Moody’s”) for an underlying rating on the Bonds, and Moody’s has assigned an underlying rating of “A3” to the District. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter at the Underwriter’s expense. The underlying rating fee of Moody’s will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The District has <b>not</b> designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986.
<i>Bond Counsel...</i>	Coats Rose, P.C., Bond Counsel, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel...</i>	Norton Rose Fulbright US LLP, Houston, Texas.
<i>Financial Advisor...</i>	FirstSouthwest, a Division of Hilltop Securities Inc., Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “PREPARATION OF OFFICIAL STATEMENT.”
<i>Paying Agent/Registrar...</i>	Wells Fargo Bank, N.A., Minneapolis, Minnesota. See “THE BONDS—Method of Payment of Principal and Interest.”

### **INVESTMENT CONSIDERATIONS**

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2016 Taxable Assessed Valuation.....	\$687,705,084	(a)
Estimated Taxable Assessed Valuation as of August 15, 2016.....	\$701,583,960	(b)
Gross Direct Debt Outstanding.....	\$78,255,000	(c)
Estimated Overlapping Debt.....	<u>20,326,216</u>	(d)
Gross Direct Debt Outstanding and Estimated Overlapping Debt.....	\$98,581,216	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation.....	11.38%	
Estimated Taxable Assessed Valuation as of August 15, 2016.....	11.15%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation.....	14.33%	
Estimated Taxable Assessed Valuation as of August 15, 2016.....	14.05%	
Funds Available for Road Debt Service as of August 22, 2016.....	\$2,133,723	
Funds Available for Water, Wastewater and Drainage Debt Service as of August 22, 2016.....	<u>3,521,946</u>	
Total Funds Available for Debt Service.....	\$5,655,669	(e)
Funds Available in the General Operating Fund as of August 22, 2016.....	\$2,635,440	
Funds Available in the Water, Wastewater and Drainage Capital Projects Fund as of August 22, 2016.....	\$626,593	
Funds Available in Series 2015 Road Bonds Capital Projects Fund as of August 22, 2016.....	\$762,063	
Anticipated 2016 Debt Service Tax Rate.....	\$0.94	
Anticipated 2016 Maintenance Tax Rate.....	<u>0.36</u>	
Anticipated Total 2016 Tax Rate.....	\$1.30	(f)
Average Annual Debt Service Requirement (2017-2040).....	\$4,686,239	(g)
Maximum Debt Service Requirement (2017).....	\$5,853,400	(g)
Tax Rates Required to Pay Average Annual Debt Service (2017-2040) at a 95% Collection Rate:		
2016 Taxable Assessed Valuation.....	\$0.72	(g)
Estimated Taxable Assessed Valuation as of August 15, 2016.....	\$0.71	(g)
Tax Rates Required to Pay Maximum Debt Service (2017) at a 95% Collection Rate:		
2016 Taxable Assessed Valuation.....	\$0.90	(g)
Estimated Taxable Assessed Valuation as of August 15, 2016.....	\$0.88	(g)
Status of Development as of July 27, 2016 (h):		
Total Completed Homes (1,924 Occupied).....	1,935	
Homes Under Construction or in a Builder's Name.....	80	
Vacant Developed Lots Available for Home Construction.....	31	
Estimated Population.....	6,772	(i)

- (a) The 2016 Taxable Assessed Valuation shown herein includes \$667,274,345 of certified value and \$20,430,739 of uncertified value, which is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Fort Bend Central Appraisal District (the "Appraisal District"). The 2016 Taxable Assessed valuation shown here represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value as of August 15, 2016. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District.
- (c) After issuance of the Bonds. Does not include \$5,800,000 principal amount of unlimited tax road bonds that the District expects to sell in late 2016. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds" and "INVESTMETN CONSIDERATIONS—Future Debt."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Debt."
- (e) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), and a pro rata portion will be allocated to bonds sold for water, sewer and drainage facilities ("Water, Sewer and Drainage Bonds").
- (f) The District has authorized the publication of a 2016 total tax rate of \$1.30 and expects to adopt such rate in September 2016 with \$0.94 allocated to debt and \$0.36 allocated to maintenance and operations.
- (g) The debt service calculations herein are based on an estimated interest rate of 4.00%. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Land Use—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

## PRELIMINARY OFFICIAL STATEMENT

**\$11,000,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 134C**  
*(A political subdivision of the State of Texas located within Fort Bend County)*

**UNLIMITED TAX BONDS**  
**SERIES 2016**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 134C (the "District") of its \$11,000,000 Unlimited Tax Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the Aliana Development Company ("ADC" or the "Developer") and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Coats Rose, P.C. ("Bond Counsel"), 9 Greenway Plaza, Suite 1100, Houston, Texas 77046 upon payment of the costs of duplication therefore.

### THE BONDS

#### **General**

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

The Bonds will be dated and accrue interest from October 1, 2016, with interest payable on each March 1 and September 1 commencing March 1, 2017, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this OFFICIAL STATEMENT. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

#### **Authority for Issuance**

At a bond election held within the District on November 6, 2007, the voters of the District authorized the issuance of a total of \$183,000,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage improvements and facilities. The Bonds are issued pursuant to such authorization. Following the issuance of the Bonds, \$129,690,000 of such authorization will remain authorized but unissued.

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

#### **Source of and Security for Payment**

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

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

#### **Record Date**

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

## **Funds**

In the Bond Order, the Water, Wastewater and Drainage Debt Service Fund is confirmed, and the proceeds from all taxes levied and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, in such fund.

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

Accrued interest on the Bonds shall be deposited into the Water, Wastewater and Drainage Debt Service Fund upon receipt. In addition, the remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Water, Wastewater and Drainage Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

## **No Arbitrage**

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates 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 in the Bond Order that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

## **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2024, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2023, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

## **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Minneapolis, Minnesota and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

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

The Board has appointed the Wells Fargo Bank, N.A., having its principal corporate trust office and its principal payment office in Minneapolis, Minnesota, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

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

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

### **Issuance of Additional Debt**

The District may issue additional bonds necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$129,690,000 principal amount of unlimited tax bonds for water, wastewater and storm drainage improvements and facilities authorized but unissued, \$58,400,000 principal amount of unlimited tax bonds for road facilities authorized but unissued, and \$38,500,000 principal amount of unlimited tax bonds for park and recreational facilities authorized but unissued. The District also has authorized but unissued refunding bonds in an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness previously issued by the District for water, wastewater, and storm drainage improvements and facilities and refunding bonds in an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness previously issued by the District for road facilities. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District. The District expects to issue \$5,800,000 principal amount of unlimited tax road bonds in late 2016. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. See “INVESTMENT CONSIDERATIONS—Future Debt.”

After approval by the District’s voters, the City of Houston and the TCEQ, the District also has the power to issue unlimited tax bonds for the purpose of providing fire-fighting facilities. The District has not considered calling an election to authorize bonds for fire-fighting facilities at this time.

### **Annexation by the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston without the District’s consent, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is annexed, the City of Houston must assume the District’s assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

### **Strategic Partnership**

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City of Houston. The terms of any such agreement would be determined by the City of Houston and the District. Although the City of Houston has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

## **Remedies in Event of Default**

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

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

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which 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 Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct 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.

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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.

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

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

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

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

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

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

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineers, Inc., the District’s engineer (the “Engineer”), and were submitted to (and approved by) the TCEQ. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and FirstSouthwest, a Division of Hilltop Securities Inc. (the “Financial Advisor”). The actual amounts to be paid by the District and the non-construction costs will be finalized after the sale of the Bonds and agreed-upon procedures are performed by the District’s auditor. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

### CONSTRUCTION COSTS

• Fort Bend Co. MUD No. 134A Master Connection Fees.....	\$ 5,028,078
• Aliana, Section Sixteen.....	214,805
• Aliana, Section Twenty-Five.....	416,272
• Aliana, Section Twenty-Six.....	409,007
• Aliana, Section Twenty-Eight.....	839,285
• Aliana, Section Thirty-Two.....	435,219
• Aliana, Section Thirty-Three.....	751,113
• Aliana, Section Thirty-Nine.....	859,444
• Engineering.....	734,935
<b>TOTAL CONSTRUCTION COSTS.....</b>	<b>\$ 9,688,158</b>

### NON-CONSTRUCTION COSTS

• Legal Fees.....	\$ 235,000
• Financial Advisory Fees.....	197,500
• Developer Interest.....	432,274
• Underwriter’s Discount (a).....	330,000
• Bond Issuance Expense.....	35,068
• Bond Application Report.....	45,000
• Attorney General Fee.....	9,500
• TCEQ Fee.....	27,500
<b>TOTAL NON-CONSTRUCTION COSTS.....</b>	<b>\$ 1,311,842</b>

**TOTAL BOND ISSUE REQUIREMENT..... \$ 11,000,000**

(a) The TCEQ approved a maximum Underwriter’s discount of 3.0%.

## ALIANA

### General

Aliana is an approximately 2,000 acre master-planned community located 28 miles southwest of downtown Houston, Texas. Aliana is generally bounded by Old Farm-to-Market 1464 and Clodine Road on the east, Madden Road on the north, the Grand Parkway (Texas State Highway 99) on the west and West Airport on the south; and is bisected by West Airport Boulevard. Aliana is served by three (3) municipal utility districts: Fort Bend County Municipal Utility District Nos. 134A, 134B and 134C (collectively, the “Aliana Districts”). Each of the Aliana Districts has the authority to provide water, sanitary sewer, drainage and recreation facilities as well as the roads within its boundaries. Fort Bend County Municipal Utility District No. 134A acts as the “Master District” and has additional powers related to providing regional water and wastewater service to the Aliana Districts. To date, approximately 676 acres of residential development has occurred within the District and approximately 190 acres of residential development has occurred within Fort Bend County Municipal Utility District No. 134B.

A portion of Aliana (approximately 614 acres, including approximately 121 acres in the District) is included within the boundaries of the Aliana Management District (the “Management District”), which has the authority to levy a sales tax not to exceed \$0.02 per \$1.00 of sales on retail sales occurring within its boundaries. The Management District is a municipal management district created by Chapter 3865, Texas Special District Local Laws Code. It is anticipated that the Management District will provide supplementary facilities and services to the commercial development within Aliana with the proceeds of the sales tax, assessments on the benefitted property or a supplementary ad valorem tax. The Management District also has the powers provided under Chapter 380, Texas Local Government Code to encourage economic development. Currently, a CVS Pharmacy is the only operating retail development within the Management District. An HEB grocery store and Montessori school are currently under construction.

## **THE DISTRICT**

### **General**

The District is a limited-purpose political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by The Order Dividing, pursuant to the Act. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article III, Section 52 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered 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; the control and diversion of storm water; and the construction of roads, among other things. The District may also provide solid waste collection and disposal service and purchase and operate park and recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District is subject to the continuing supervision of the TCEQ and is located exclusively within the extraterritorial jurisdiction of the City of Houston.

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in plats which have been approved by the City of Houston and filed in the real property records of Fort Bend County, Texas. The District is also required to obtain TCEQ approvals prior to acquiring, constructing and financing water, wastewater, drainage, recreation and fire-fighting facilities. See “WATER, WASTEWATER AND DRAINAGE—Regulation.”

### **Description and Location**

The District consists of approximately 878 acres of land. The District is located in Fort Bend County, entirely in the extraterritorial jurisdiction of the City of Houston. The District is located approximately 28 miles southwest of the central downtown business district of the City of Houston. The District is generally bounded by Texas State Highway 99 (Grand Parkway) on the west, Madden Road on the north, West Airport on the South and Old Farm-to-Market 1464 on the east. See “AERIAL LOCATION MAP” herein.

**Land Use**

The following table has been provided by the Engineer and represents the current land use within the District.

	<u>Approximate Acres</u>	<u>Lots</u>
<i>Single-Family Residential</i>		
Aliana, Section Two.....	35	115
Aliana, Section Three.....	14	53
Aliana, Section Four.....	16	50
Aliana, Section Five.....	26	114
Aliana, Section Six.....	7	25
Aliana, Section Seven.....	31	108
Aliana, Section Eight.....	13	30
Aliana, Section Nine.....	16	48
Aliana, Section Ten.....	31	101
Aliana, Section Eleven.....	11	45
Aliana, Section Twelve.....	17	71
Aliana, Section Thirteen.....	13	62
Aliana, Section Fourteen.....	10	44
Aliana, Section Fifteen.....	13	31
Aliana, Section Sixteen.....	11	54
Aliana, Section Seventeen.....	21	61
Aliana, Section Eighteen.....	14	48
Aliana, Section Nineteen.....	11	46
Aliana, Section Twenty.....	14	43
Aliana, Section Twenty-One.....	11	45
Aliana, Section Twenty-Two.....	15	61
Aliana, Section Twenty-Three.....	20	73
Aliana, Section Twenty-Four.....	14	50
Aliana, Section Twenty-Five.....	17	64
Aliana, Section Twenty-Six.....	22	66
Aliana, Section Twenty-Seven.....	15	51
Aliana, Section Twenty-Eight.....	15	67
Aliana, Section Twenty-Nine.....	15	66
Aliana, Section Thirty-One.....	26	104
Aliana, Section Thirty-Two.....	20	88
Aliana, Section Thirty-Three.....	15	52
Aliana, Section Thirty- Nine.....	18	57
Aliana, Section Forty-Six.....	<u>16</u>	<u>53</u>
Subtotal.....	563	2,046
<i>Commercial Reserves</i> .....	28	---
<i>School Site</i> .....	9	---
<i>Future Development</i> .....	84	---
<i>Undevelopable (a)</i> .....	<u>194</u>	<u>---</u>
Total.....	878	2,046

(a) Consists of street easements, drainage detention, parks and recreation space and utility sites.

**Status of Development**

*Single Family Residential:* The development in the District currently includes 2,046 single-family residential lots on approximately 563 acres. As of July 27, 2016, 1,935 homes were completed (1,924 were occupied), 80 homes were under construction or in a builder’s name and 31 vacant developed lots were available for home construction. Homes within the District range in price from approximately \$280,000 to \$800,000. The estimated population within the District is 6,772 based upon 3.5 persons per occupied single-family residence.

*Commercial:* Approximately 10 acres have been developed for commercial use where a CVS Pharmacy has been constructed on approximately 2 acres, a Montessori school is under construction on approximately 2 acres with an expected completion date of late 2016, and a Kiddie Academy, a daycare facility, is under construction on approximately 2 acres with an expected completion date of fall 2016. In addition, an HEB grocery store is currently under construction on approximately 16 acres with an expected opening date of October 2016, and approximately 9 acres have been developed as an elementary school.

**Homebuilders within the District**

Homebuilders active within the District include: Ashton Woods Homes, Coventry Homes, Highland Homes, J. Patrick Homes, Meritage Homes, Perry Homes, Plantation Homes, Ryland Homes, Trendmaker Homes and Village Builders.

Pursuant to lot sales agreements with the homebuilders in the District, each builder that is required to make an earnest money deposit is subject to lot takedown requirements of generally five lots per quarter. Each builder is also required to build models and/or speculative homes. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by the Board consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held on the first Saturday of May of odd numbered years. One of the Board members resides within the District; and the other four Board Members own land within the District subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	District Board <u>Title</u>	<u>Term Expires</u>
Theodore Reese	President	May 2017
Keith Faseler	Vice President	May 2019
David Standefer	Assistant Vice President	May 2019
James Highfill	Secretary	May 2019
Tracy Butcher	Assistant Secretary	May 2017

**District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

*Bond Counsel and General Counsel:* Coats Rose, P.C. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Coats Rose, P.C. serves as general counsel to the District on matters other than the issuance of bonds.

*Financial Advisor:* FirstSouthwest, a Division of Hilltop Securities Inc. serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

*Auditor:* The District’s financial statements for the year ended May 31, 2015, were audited by BKD, LLP, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s May 31, 2015 financial statements. The District has engaged BKD, LLP, Certified Public Accountants to audit the District’s financial statements for the year ended May 31, 2016.

*Engineer:* The District’s consulting engineer is LJA Engineering, Inc.

*Tax Appraisal and Collections:* The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. Taxes are collected by the Fort Bend County Tax Collector. See “TAXING PROCEDURES.”

*Bookkeeper:* The District has contracted with L & S District Services, LLC (the “Bookkeeper”) for bookkeeping services.

*Operator:* The operation and maintenance of the District’s water and wastewater systems are overseen by Severn Trent, Inc.

*Disclosure Counsel:* Norton Rose Fulbright US LLP, serves as Disclosure Counsel to the District in connection with the issuance of the Bonds.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas being financed with bond proceeds, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

### **Description of the Developer and Principal Landowner**

BAM Houston Real Estate Investment, a Texas limited partnership ("BREI"), initially owned all of the approximately 2,000 acres within the Aliana project boundaries. BREI's general partner is BAM Houston Real Estate Investment GP, LLC, a Texas limited liability company. BREI and its general partner are principally owned by various lineal descendants (or their trusts) of Lester Benny Binion and Phyllis Cope. BREI currently owns approximately 76 acres within the District, as well as approximately 338 acres of the remaining land within the Aliana project boundaries. BREI is a land holding company and does not participate in any type of development. The developer, Aliana Development Company, a Texas Corporation, ("ADC" or the "Developer") has an exclusive option to purchase all of the land within the Aliana project boundaries from BREI. To date, ADC has purchased approximately 1,565 acres from BREI. ADC is primarily owned by various lineal descendants of Lester Benny Binion and Phyllis Cope. The President of ADC is Mr. E. Travis Stone, Jr.

Neither the Developer, nor any affiliates of the Developer are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, nor any affiliates of the Developer have any legal commitment to the District or the owners of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

## **WATER, WASTEWATER AND DRAINAGE**

### **Master District**

As of November 14, 2007, the District entered in a regional contract (the "Contract") with MUD 134A. Under the terms of the Contract, MUD 134A serves as the "Master District" and provides or causes to be provided the regional water supply and delivery facilities, the regional waste collection, treatment and disposal facilities, and the regional drainage and detention facilities to serve the Aliana Districts. Under the terms of the Contract, the Master District charges the participants a monthly operational fee based on connections. The Master District also assesses a master district connection fee to the District to pay for its pro-rata share of regional capital projects. The Master District connection fee is \$11,803 per connection. The District has paid the Master District connection fee for 1,389 connections. Proceeds from the Bonds will be used to pay for an additional 426 connections. As of July 1, 2016, the Master District was serving approximately 2,032 active wastewater connections, 1,929 of which were located in the District.

### **Water Supply**

The North Fort Bend Water Authority (the "Authority") has constructed a water conveyance line running through the District. The Master District's primary source of water supply is surface water provided by the Authority. See "Subsidence and Conversion to Surface Water Supply" below. The Master District has entered into a "take-or-pay" contract with the Authority dated December 18, 2014 to be the primary source of water supply to the Master District. Under such agreement, the Master District is required to purchase a minimum of 168,000,000 gallons of water per year from the Authority. The Master District and the Authority will review the contract on an annual basis to adjust the minimum volume of water to be purchased.

The District's water supply is augmented by water supplied by the Master The District's water supply is augmented by water supplied by the Master District's Water Plant No. 1 ("Water Plant No. 1"), which consists of a 1,300 gallon per minute ("gpm") water well, two 20,000 gallon pressure tanks, a 500,000 gallon ground storage tank and 4,500 gpm of booster pump capacity. The Master District is underway with construction of Phase I of the Master District's second water plant which consists of a 420,000 gallon ground storage tank, one 20,000 gallon pressure tank, 4,500 gpm of booster pump capacity and an onsite generator. The plant is expected to be operational by the end of August 2016. The Master District has entered into an Emergency Interconnect Agreement with Kingsbridge MUD and Fort Bend County Fresh Water Supply District No. 2. As of July 27, 2016, the District was serving 2,098 active connections (including 1,924 active residential connections and 80 homes under construction or in a builder's name). District's Water Plant No. 1 ("Water Plant No. 1"), which consists of a 1,300 gallon per minute ("gpm") water well, two 20,000 gallon pressure tanks, a 500,000 gallon ground storage tank and 4,500 gpm of booster pump capacity. The Master District is underway with construction of Phase I of the Master District's second water plant which consists of a 420,000 gallon ground storage tank, one 20,000 gallon pressure tank, 4,500 gpm of booster pump capacity and an onsite generator. The plant is expected to be operational by the end of August 2016. The Master District has entered into an Emergency Interconnect Agreement with Kingsbridge MUD and Fort Bend County Fresh Water Supply District No. 2. As of July 27, 2016, the District was serving 2,098 active connections (including 1,924 active residential connections and 80 homes under construction or in a builder's name).

### **Wastewater Treatment**

The District's wastewater is treated by the Master District's 300,000 gallon Wastewater Treatment Plant No. 1 ("WWTP No. 1"). The Master District constructed a 300,000 gallon expansion at the existing wastewater treatment plant, which was completed in June 2016. Currently, the Master District is utilizing approximately 246,000 gallons per day on average. As of July 27, 2016, the District was serving 2,009 active connections (including 1,924 active residential connections and 80 homes under construction or in a builder's name).

### **Water Distribution, Wastewater, Collection and Storm Drainage**

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 2,046 single family residential lots, a 9 acre school site and approximately 26 acres of commercial reserves.

### **Flood Protection**

Stormwater runoff from the District discharges into two watersheds, Red Gully and Oyster Creek. According to the Engineer, none of the land within the District is within the 100-year Flood Plain.

### **Subsidence and Conversion to Surface Water Supply**

The Aliana development is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The Master District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the areas served by the Master District, including the District. In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the Master District for groundwater pumped by the Master District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the Master District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the Master District and a rate per 1,000 gallons based on the amount of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty, currently \$3.25 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the Master District. These fees may be further passed on to the District and, ultimately, the District's water users.

### **Regulation**

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Fort Bend County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's water, wastewater and storm drainage facilities.

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**Waterworks and Sewer System Operating Statement**

The Bonds are payable from a levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District, Net revenues, if any, derived from the operation of the District’s water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, as the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds. The following statement sets forth in condensed form the General Fund as derived from the District’s audited financial statements for the years ended May 31, 2012 through May 31, 2015 and an unaudited summary as of May 31, 2016 prepared by the bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX A” for further and complete information.

	6/1/2015 to 5/31/2016 (Unaudited)	Fiscal Year Ended			
		5/31/2015	5/31/2014	5/31/2013	5/31/2012
<b>Revenues:</b>					
Property Taxes	\$ 2,054,326	\$ 1,580,304	\$ 1,086,664	\$ 692,648	\$ 338,359
Water Service	675,920	506,674	408,755	241,598	238,003
Sewer Service	1,064,693	868,299	606,735	310,986	209,546
Surface Water Conversion	1,013,872	652,293	483,716	350,989	151,488
Tap Connection and Inspection	420,025	725,177	666,735	619,874	223,254
Penalty and Interest	56,602	43,938	38,500	21,500	4,044
Other Income	53,854	3,327	2,586	1,605	-
Interest on Temp Investments	6,160	3,847	1,685	322	271
<b>Total Revenue</b>	<b>\$ 5,345,453</b>	<b>\$ 4,383,859</b>	<b>\$ 3,295,376</b>	<b>\$ 2,239,522</b>	<b>\$ 1,164,965</b>
<b>Expenditures:</b>					
Professional Fees	\$ 149,036	\$ 161,233	\$ 108,747	\$ 104,465	\$ 91,934
Purchased or Contracted					
Services	2,745,102	1,814,121	1,392,356	1,185,514	837,922
Tap Connections	235,955	256,945	237,403	240,855	105,679
Utilities	179,808	130,614			
Repairs and Maintenance	265,700	298,301	268,876	267,142	92,991
Miscellaneous	32,034	93,645	40,693	34,880	30,776
Capital Outlay	65,340	145,403	-	6,500	-
<b>Total Expenditures</b>	<b>\$ 3,672,976</b>	<b>\$ 2,900,262</b>	<b>\$ 2,048,075</b>	<b>\$ 1,839,356</b>	<b>\$ 1,159,302</b>
<b>NET REVENUES</b>	<b>\$ 1,672,477</b>	<b>\$ 1,483,597</b>	<b>\$ 1,247,301</b>	<b>\$ 400,166</b>	<b>\$ 5,663</b>
Other Financing Sources (Uses)	\$ -	\$ -	\$ 19,838	\$ 27,916	\$ -
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ -
<b>General Operating Fund</b>					
Balance (Beginning of Year)	\$ 3,335,751	\$ 1,852,154	\$ 585,015	\$ 156,933	\$ 151,270
<b>General Operating Fund</b>					
Balance (End of Year)	\$ 5,008,228	\$ 3,335,751	\$ 1,852,154	\$ 585,015	\$ 156,933

## **ROAD SYSTEM**

The road system (the “Roads”) serves the residents of the District by providing access to major thoroughfares and collectors within Aliana and the surrounding area. The internal subdivision streets provide access to several collectors including East Aliana Trace, Binion Lane, Brannock Avenue, Abermore Lane and Westmoor Drive. These internal streets and collectors convey the residents of the District to the major thoroughfares of West Airport Boulevard and West Bellfort and ultimately to State Highway 99 (Grand Parkway) and Farm-to-Market 1464. All Roads are maintained by Fort Bend County.

## **FIREFIGHTING SERVICES**

The District previously received firefighting service from a station that is 4 miles away and operated by the City of Richmond. The District is located adjacent to the boundaries of Fort Bend County Emergency Services District No. 5 (“ESD No. 5). ESD No. 5 completed a fire station within the District, which was operational and manned effective February 2016. The District entered into an agreement with ESD No. 5 which provides that the District will be served by ESD No. 5 and, beginning in 2017, the District will pay quarterly an amount equal to one-half the ESD tax rate applied to the certified taxable value of all property in the District. Beginning on January 1, 2018, such payment will increase to 100% of the ESD tax rate. For 2015, the ESD No. 5 tax rate was \$0.071348 per \$100 valuation.

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**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2016 Taxable Assessed Valuation.....	\$687,705,084	(a)
Estimated Taxable Assessed Valuation as of August 15, 2016.....	\$701,583,960	(b)
Gross Direct Debt Outstanding .....	\$78,255,000	(c)
Estimated Overlapping Debt .....	<u>20,326,216</u>	(d)
Gross Direct Debt Outstanding and Estimated Overlapping Debt .....	\$98,581,216	
Ratios of Gross Direct Debt to:		
2016 Taxable Assessed Valuation.....	11.38%	
Estimated Taxable Assessed Valuation as of August 15, 2016.....	11.15%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Taxable Assessed Valuation.....	14.33%	
Estimated Taxable Assessed Valuation as of August 15, 2016.....	14.05%	
Funds Available for Road Debt Service as of August 22, 2016.....	\$2,133,723	
Funds Available for Water, Wastewater and Drainage Debt Service as of August 22, 2016.....	<u>3,521,946</u>	
Total Funds Available for Debt Service .....	\$5,655,669	(e)
Funds Available in the General Operating Fund as of August 22, 2016.....	\$2,635,440	
Funds Available in the Water, Wastewater and Drainage Capital Projects Fund as of August 22, 2016.....	626,593	
Funds Available in Series 2015 Road Bonds Capital Projects Fund as of August 22, 2016.....	\$ 762,063	

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- (a) The 2016 Taxable Assessed Valuation shown herein includes \$667,274,345 of certified value and \$20,430,739 of uncertified value, which is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Fort Bend Central Appraisal District (the "Appraisal District"). The 2016 Taxable Assessed valuation shown here represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
  - (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value as of August 15, 2016. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District.
  - (c) After issuance of the Bonds. Does not include \$5,800,000 principal amount of unlimited tax road bonds that the District expects to sell in late 2016. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds" and "INVESTMENT CONSIDERATIONS—Future Debt."
  - (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Debt."
  - (e) The amount above is based on an estimated interest rate of 4.00%. Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), and a pro rata portion will be allocated to bonds sold for water, sewer and drainage facilities ("Water, Sewer and Drainage Bonds"). See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

### **Investments of the District**

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

### **Outstanding Bonds**

The District has previously issued seven series of unlimited tax bonds totaling \$42,310,000 principal amount, four series of unlimited tax road bonds totaling \$29,350,000 principal amount and one series of unlimited tax road refunding bonds totaling \$4,425,000. The District has a total of \$67,255,000 principal amount of bonds outstanding (the "Outstanding Bonds"). The following table lists the original principal amount of the bonds issued by the District and the principal amount of the Outstanding Bonds.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds as of September 2, 2016</u>
2010	\$ 5,300,000	\$ 4,630,000
2011 (a)	5,015,000	570,000
2012	5,000,000	4,755,000
2012 (a)	2,660,000	2,535,000
2013	4,930,000	4,510,000
2013A	4,820,000	4,410,000
2014	6,500,000	5,950,000
2014 (a)	6,175,000	5,655,000
2014A	4,770,000	4,390,000
2015	10,990,000	10,545,000
2015 (a)	15,500,000	14,880,000
2016 (b)	4,425,000	4,425,000
Total	<u>\$ 76,085,000</u>	<u>\$ 67,255,000</u>

(a) Unlimited Tax Road Bonds.

(b) Unlimited Tax Road Refunding Bonds.

**Debt Service Requirements**

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Bonds” above) and estimated debt service on the Bonds at an estimated interest rate per annum of 4.00%.

Year	Outstanding Bonds	Plus: Debt Service on the Bonds			Total Debt Service
	Debt Service Requirements	Principal	Interest	Total	
2017	\$ 4,999,266.26	\$ 460,000	\$ 394,133.33	\$ 854,133.33	\$ 5,853,399.59
2018	4,963,743.76	460,000	412,400.00	872,400.00	5,836,143.76
2019	4,904,853.76	460,000	394,000.00	854,000.00	5,758,853.76
2020	4,859,821.26	460,000	375,600.00	835,600.00	5,695,421.26
2021	4,808,111.26	460,000	357,200.00	817,200.00	5,625,311.26
2022	4,768,726.26	460,000	338,800.00	798,800.00	5,567,526.26
2023	4,718,736.26	460,000	320,400.00	780,400.00	5,499,136.26
2024	4,671,071.26	460,000	302,000.00	762,000.00	5,433,071.26
2025	4,605,766.26	460,000	283,600.00	743,600.00	5,349,366.26
2026	4,546,741.26	460,000	265,200.00	725,200.00	5,271,941.26
2027	4,487,581.26	460,000	246,800.00	706,800.00	5,194,381.26
2028	4,431,302.50	460,000	228,400.00	688,400.00	5,119,702.50
2029	4,364,815.00	460,000	210,000.00	670,000.00	5,034,815.00
2030	4,294,790.00	460,000	191,600.00	651,600.00	4,946,390.00
2031	4,225,033.76	460,000	173,200.00	633,200.00	4,858,233.76
2032	4,144,616.26	460,000	154,800.00	614,800.00	4,759,416.26
2033	4,076,153.76	455,000	136,500.00	591,500.00	4,667,653.76
2034	3,999,183.76	455,000	118,300.00	573,300.00	4,572,483.76
2035	3,512,887.50	455,000	100,100.00	555,100.00	4,067,987.50
2036	3,082,150.00	455,000	81,900.00	536,900.00	3,619,050.00
2037	3,000,643.76	455,000	63,700.00	518,700.00	3,519,343.76
2038	2,541,250.00	455,000	45,500.00	500,500.00	3,041,750.00
2039	1,136,300.00	455,000	27,300.00	482,300.00	1,618,600.00
2040	1,095,650.00	455,000	9,100.00	464,100.00	1,559,750.00
Total	<u>\$ 96,239,195.16</u>	<u>\$ 11,000,000</u>	<u>\$ 5,230,533.33</u>	<u>\$ 16,230,533.33</u>	<u>\$ 112,469,728.49</u>

Average Annual Debt Service Requirements (2017-2040) ..... \$4,686,239  
 Maximum Annual Debt Service Requirement (2017) ..... \$5,853,400

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service, and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Fort Bend County .....	\$518,540,000	9/30/16	0.93%	\$ 4,822,422
Fort Bend Independent School District .....	866,133,767	6/30/16	1.79%	<u>15,503,794</u>
Total Estimated Overlapping Debt.....				\$ 20,326,216
The District’s Total Direct Debt (a) .....				<u>78,255,000</u>
Total Direct and Estimated Overlapping Debt .....				\$ 98,581,216
Direct and Estimated Overlapping Debt as a Percentage of:				
2016 Taxable Assessed Value of \$687,705,084 .....				14.33%
Estimated Taxable Assessed Value as of August 15, 2016 of \$701,583,960.....				14.05%

(a) The Bonds and the Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are the taxes levied for the 2015 tax year by all entities overlapping the District and the District’s 2016 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	<u>Tax Rate Per \$100 Appraised Valuation</u>
Fort Bend County .....	\$0.486
Fort Bend Independent School District .....	<u>1.340</u>
Total Overlapping Tax Rate .....	\$1.826
The District (a) .....	<u>1.300</u>
Total Tax Rate .....	\$3.126

(a) See “TAX DATA—Debt Service Tax—Maintenance Tax.” The District has authorized the publication of a 2016 total tax rate of \$1.30 and expects to adopt such rate in September 2016 with \$0.94 allocated to debt and \$0.36 allocated to maintenance and operations.

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Tax Rate Distribution” and “Tax Roll Information” below.

### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 6, 2007, and voters of the District authorized the Board, among other things, to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

### Tax Rate Distribution

	2016 (a)	2015	2014	2013	2012	2011
Debt Service Tax	\$0.940	\$0.900	\$0.900	\$0.805	\$0.835	\$0.900
Maintenance Tax	0.360	0.400	0.450	0.545	0.515	0.400
Total District Tax Rate	\$1.300	\$1.300	\$1.350	\$1.350	\$1.350	\$1.300

(a) The District has authorized the publication of a 2016 total tax rate of \$1.30 and expects to adopt such rate in September 2016 with \$0.94 allocated to debt and \$0.36 allocated to maintenance and operations. The debt service tax will be further allocated as \$0.358 to road debt service and \$0.582 to utility debt service.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

	Net Certified		Total	Collections as of	
	Taxable	Tax		July 31, 2016	
	Assessed	Rate		Tax Levy (b)	Amount
Valuation (a)					
2011	\$ 78,221,955	\$ 1.30	\$ 1,016,885	\$ 1,016,885	100.00%
2012	113,200,924	1.35	1,528,280	1,528,280	100.00%
2013	188,438,996	1.35	2,592,465	2,592,215	99.99%
2014	326,865,816	1.35	4,420,008	4,408,074	99.73%
2015	518,317,842	1.30	6,737,768	6,715,533	99.67%
2016	687,705,084	1.30	8,940,166	(c)	(c)

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value, deferrals and exemptions granted by the District and the Appraisal District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) The District has authorized the publication of a 2016 total tax rate of \$1.30 and expects to adopt such rate in September 2016 with \$0.94 allocated to debt and \$0.36 allocated to maintenance and operations. Taxes for the 2016 tax year are due on January 31, 2017.

## Tax Roll Information

The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2011 through 2016 Taxable Assessed Valuations and the Estimated Taxable Assessed Valuation as of August 15, 2016. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Year	Land	Improvements	Personal Property	Gross Assessed Valuation	Exemptions and Deferments	Value Under Review/ Uncertified (a)	Net Assessed Valuation
2011	\$ 55,513,130	\$ 40,734,750	\$ 390,130	\$ 96,638,010	\$ (18,416,055)	\$ -	\$ 78,221,955
2012	59,601,700	68,896,670	913,630	129,412,000	(16,211,076)	-	113,200,924
2013	77,443,530	125,031,020	776,140	203,250,690	(14,811,694)	-	188,438,996
2014	99,260,005	241,179,040	2,728,670	343,167,715	(16,301,899)	-	326,865,816
2015	125,087,364	419,119,678	1,358,590	545,565,632	(27,247,790)	-	518,317,842
2016 (b)	155,746,221	545,678,508	2,755,730	704,180,459	(36,906,114)	20,430,739	687,705,084
8/15/16 (c)	157,538,171	559,808,508	2,755,730	720,102,409	(36,906,114)	18,387,665	701,583,960

- (a) The uncertified value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Appraisal District.
- (b) The 2016 Taxable Assessed Valuation shown herein includes \$667,274,345 of certified value and \$20,430,739 of uncertified value, which is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Fort Bend Central Appraisal District (the "Appraisal District"). The 2016 Taxable Assessed valuation shown here represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value as of August 15, 2016. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District.

## Principal Taxpayers

The following table represents the ten principal taxpayers and their taxable appraised value as a percentage of the certified portion (\$667,274,345) of the 2016 Taxable Assessed Valuation of \$687,705,084. This represents ownership as of January 1, 2016. Principal taxpayer lists related to the uncertified portion (\$20,430,739) of the 2016 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 15, 2016, of \$701,583,960 are not currently available.

Taxpayer	2016	
	Taxable Assessed Valuation (a)	% of Taxable Assessed Valuation
HEB Grocery Company LP	\$ 2,920,180	0.44%
Anna Buecheler Investment Partnership	2,541,240	0.38%
MHI Partnership Ltd	1,826,430	0.27%
CVS Pharmacy INC	1,342,520	0.20%
Centerpoint Energy Electric	1,305,920	0.20%
Aliana Development Company (b)	1,194,100	0.18%
Highland Homes-Houston Ltd	766,190	0.11%
RH of Texas LP	720,620	0.11%
Individual	602,980	0.09%
Individual	573,100	0.09%
Total	\$ 13,793,280	2.07%

- (a) The total 2016 Taxable Assessed Valuation shown herein includes certified and uncertified value. However, such value is subject to review and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) See "THE DEVELOPER."

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2016 Taxable Assessed Valuation of \$687,705,084 (\$667,274,345 certified value plus \$20,430,739 uncertified value) or the Estimated Taxable Assessed Valuation as of August 15, 2016 of \$701,583,960. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2017-2040).....	\$4,686,239
\$0.72 Tax Rate on 2016 Taxable Assessed Valuation.....	\$4,703,903
\$0.71 Tax Rate on Estimated Taxable Assessed Valuation as of August 15, 2016 .....	\$4,732,184
Maximum Annual Debt Service Requirement (2017) .....	\$5,853,400
\$0.90 Tax Rate on 2016 Taxable Assessed Valuation.....	\$5,879,878
\$0.88 Tax Rate on Estimated Taxable Assessed Valuation as of August 15, 2016 .....	\$5,865,242

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of August 15, 2016, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the 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 Order to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA.”

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

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 responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Central Appraisal Review Board (the “Appraisal Review Board”).

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2016, the Board applied a homestead exemption of \$10,000 for persons 65 years or older. 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, of

between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District currently does not grant a homestead exemption. See "TAX DATA."

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

### **Tax Abatement**

Fort Bend County or the City of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the District, and the City of Houston (if it were to annex 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 Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, 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. 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 District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. 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.

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes". In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

### **The Effect of FIRREA 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.

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 or may affect the valuation of such property.

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Houston, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" below.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions in the Houston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “Credit Markets and Liquidity in the Financial Markets” below and “THE DEVELOPER.”

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly the liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 28 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation’s real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District’s property tax base.

### **Competition**

The demand for and construction of single-family homes in the District, which is 28 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in Fort Bend County and the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of lots and the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

### **Possible Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2016 Taxable Assessed Valuation is \$687,705,084. After issuance of the Bonds, the maximum debt service requirement will be \$5,853,400 (2017), and the average annual debt service requirement will be \$4,686,239 (2017-2040 inclusive). Assuming no increase or decrease from the 2016 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.90 and \$0.72 per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of August 15, 2016 is \$701,583,960, which reduces the above calculations to \$0.88 and \$0.71, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

No representation or suggestion is made that the uncertified portion of the 2016 Taxable Assessed Valuation will be certified or that the estimated values of land and improvements provided by the Appraisal District as of August 15, 2016 will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment.

### **Developer Under No Obligation to the District**

The Developer has informed the Board that its current plan is to continue developing the remaining undeveloped land and selling lots in the District. However, neither Developer nor any future developer or homebuilder is obligated to build homes on vacant lots nor to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. See "THE DEVELOPER."

### **Tax Collections Limitations and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

### **Registered Owners' Remedies**

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$9,500,000 (as of August 31, 2016) plus interest for advances made for engineering and construction of water, sewer, drainage, road and park facilities, which will be financed with future bond issues. The District expects to issue \$5,800,000 principal amount of unlimited tax road bonds in late 2016.

A total of \$183,000,000 principal amount of unlimited tax bonds has been authorized by the District's voters for water, wastewater and storm drainage facilities and improvements, and, after the issuance of the Bonds, the District will have \$129,690,000 principal amount of such bonds authorized but unissued.

Voters of the District have also authorized a total of \$87,750,000 principal amount of unlimited tax bonds for road facilities, of which \$58,400,000 principal amount of such bonds remains authorized but unissued. Voters have also authorized \$38,500,000 principal amount of bonds for parks and recreation facilities, all of which remains authorized but unissued.

In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and storm drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

## **Environmental Regulation and Air Quality**

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and must establish the total maximum allowable daily load (“TMDL”) of certain pollutants into the water bodies. The TMDLs that utility districts may discharge may have an impact on the utility district’s ability to obtain and maintain TPDES permits.

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

The District’s stormwater discharges currently maintain permit coverage through the Municipal Separate Storm Sewer System Permit (the “Current Permit”) issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it would be required to seek independent coverage under the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”). The TCEQ renewed the MS4 Permit on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems (“MS4s”). The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. If at any time in the future the District were required to maintain its own coverage under the MS4 Permit, it is anticipated that the District could incur substantial costs 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 in order to comply with the renewed MS4 Permit.

Operations of Utility Districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

***Flood Protection.*** The District is located within the Upper Oyster Creek watershed. No portion of the District is within the 100-year floodway or floodplain.

### **Marketability of the Bonds**

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

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

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

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

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

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

### **Future and Proposed Legislation**

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

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel's opinion also will address the matters described below under “Tax Exemption.” The legal opinion of Bond Counsel will be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, 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 of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

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

The District has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

### **No Material Adverse Change**

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

## **Tax Exemption**

On the date of initial delivery of the Bonds, Coats Rose P.C., Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, “S” corporations with “subchapter C” earnings and profits, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

## **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

## **MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE**

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A3” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter’s expense. The underlying rating fee of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Financial Advisor**

FirstSouthwest, a Division of Hilltop Securities Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, FirstSouthwest, a Division of Hilltop Securities Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Bond Counsel**

Coats Rose, P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions “THE BONDS,” “THE DISTRICT-General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” AND “CONTINUING DISCLOSURE OF INFORMATION.” Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

## **Consultants**

In approving this Official Statement the District has relied upon the following consultants that have provided information used herein.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT,” “ROAD SYSTEM,” and “WATER, WASTEWATER AND DRAINAGE” has been provided by LJA Engineering, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Appraisal District:* The information contained in this Official Statement relating to the historical breakdown of the certified taxable appraised valuations and the Estimated Taxable Assessed Valuation, have been provided by the Fort Bend Central Appraisal District and have been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

*Auditor:* The District’s financial statements for the year ended May 31, 2015, were audited by BKD LLP, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s May 31, 2015 financial statements. The District did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the May 31, 2015, financial statements.

*Bookkeeper:* The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in the “THE SYSTEM—Water and Wastewater Operations” has been provided by L & S District Services, LLC, and is included herein in reliance upon the authority of such person as expert in tracking and managing the various funds of municipal utility districts.

## **Updating the Official Statement**

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

## **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "WATER, WASTEWATER AND DRAINAGE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District and Supplemental Schedules). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2016. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by November 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.

### **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access internet portal 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 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**Compliance With Prior Undertakings**

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

**MISCELLANEOUS**

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 134C, as of the date shown on the cover page.

/s/ \_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors

**AERIAL LOCATION MAP**  
**(Approximate Boundaries as of August 2016)**

HARLEM RD.

FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 134C

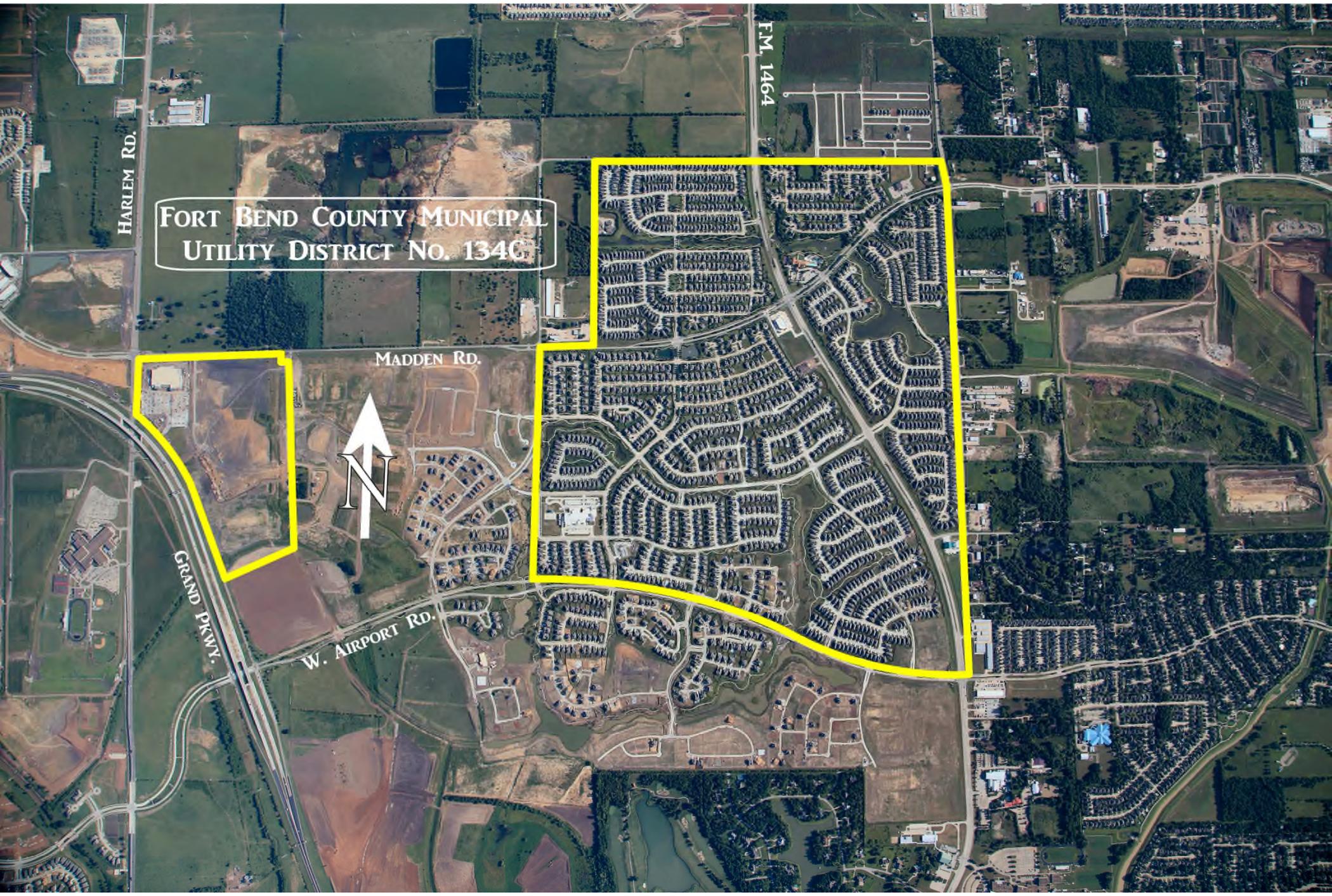
FM 1464

MADDEN RD.



GRAND PKWY.

W. AIRPORT RD.



**PHOTOGRAPHS OF THE DISTRICT**  
**(Taken August 2016)**















## **APPENDIX A**

### **Independent Auditor's Report and Financial Statements of the District for the year ended May 31, 2015**

The information contained in this appendix includes the Annual Audited Financial Statements of Fort Bend County Municipal Utility District No. 134C.

**Fort Bend County Municipal Utility District No. 134C**

Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

May 31, 2015



**Fort Bend County Municipal Utility District No. 134C**  
**May 31, 2015**

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## Independent Auditor's Report

Board of Directors  
Fort Bend County Municipal Utility District No. 134C  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities of Fort Bend County Municipal Utility District No. 134C (the District), which are comprised of a statement of net position as of May 31, 2015, and a statement of activities for the year then ended; as well as the accompanying financial statements of each major fund, which for governmental funds are comprised of a balance sheet as of May 31, 2015, and a statement of revenues, expenditures and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 entity'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 May 31, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***BKD, LLP***

Houston, Texas  
October 12, 2015

# **Fort Bend County Municipal Utility District No. 134C**

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

### **May 31, 2015**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

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

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 8,258,829	\$ 4,891,316
Capital assets	48,853,577	34,570,486
Total assets	\$ 57,112,406	\$ 39,461,802
Long-term liabilities	\$ 70,402,110	\$ 53,923,276
Other liabilities	989,715	676,962
Total liabilities	71,391,825	54,600,238
Net position:		
Net investment in capital assets	(20,987,216)	(18,614,838)
Restricted	3,307,953	1,618,390
Unrestricted	3,399,844	1,858,012
Total net position	\$ (14,279,419)	\$ (15,138,436)

The total net position of the District increased by \$859,017 or about 6 percent. The increase in net position is related to an increase in property taxes and charges for services revenues.

**Summary of Changes in Net Position**

	<b>2015</b>	<b>2014</b>
Revenues:		
Property taxes	\$ 4,620,842	\$ 2,652,520
Charges for services	2,027,266	1,499,206
Other revenues	790,752	720,239
Total revenues	7,438,860	4,871,965

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

**Summary of Changes in Net Position (Continued)**

	<b>2015</b>	<b>2014</b>
Expenses:		
Services	\$ 2,833,471	\$ 2,146,611
Connection fees	-	5,110,699
Depreciation	1,534,629	1,088,412
Debt service	2,211,743	2,047,842
Total expenses	6,579,843	10,393,564
Change in net position	859,017	(5,521,599)
Net position, beginning of year	(15,138,436)	(9,616,837)
Net position, end of year	\$ (14,279,419)	\$ (15,138,436)

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

The District's combined fund balances as of the end of the fiscal year ended May 31, 2015, were \$7,606,741, an increase of \$3,113,351 from the prior year.

The general fund's fund balance increased by \$1,483,597 due to property taxes and services revenues and tap connection and inspection fees exceeding services operations and tap connection expenditures.

The debt service fund's fund balance increased by \$1,621,047 because tax revenues generated and proceeds received from the sale of bonds were greater than bond principal and interest requirements.

The capital projects fund's fund balance increased by \$8,707 due to net proceeds received from the sale of bonds exceeding capital outlay expenditures and debt issuance costs.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property taxes and surface water conversion revenues, professional fees and capital outlay expenditures being higher than anticipated, as well as purchased services, utilities and other expenditures being lower than anticipated. The fund balance as of May 31, 2015, was expected to be \$2,751,491 and the actual end-of-year fund balance was \$3,335,751.

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2015</b>	<b>2014</b>
Land and improvements	\$ 5,182,548	\$ 3,811,041
Construction in progress	74,879	-
Water facilities	4,394,962	3,170,432
Wastewater facilities	6,179,559	4,458,875
Drainage facilities	12,766,730	8,478,531
Roads and paving	19,595,223	14,221,392
Parks and recreation	659,676	430,215
	<u>\$ 48,853,577</u>	<u>\$ 34,570,486</u>
Total capital assets	<u>\$ 48,853,577</u>	<u>\$ 34,570,486</u>

During the current year, additions to capital assets were as follows:

Land and land improvements related to West Belfort, Phase 1, Aliana, Sections 4, 6, 8, 12, 13, 21 and 22, and Aliana detention pond and amenity lake, Phase 2, Red Gulley lake system, Brannock Avenue and Oyster Creek, Phase 3	\$ 1,371,507
Construction in progress for 8-inch water line and sewer line to serve Aliana Commercial	74,879
Water, sewer, drainage and paving facilities for Aliana, Sections 6, 8, 11, 12, 13, 17, 18, 21, 22, 23, 24, 26, 28, 29, 31, 32, 33 and 39, and West Belfort Street Dedication, Binion Lane, and Brannock Avenue, Phase 3, Abermore Minsky Barzun	14,080,443
Drainage facilities to serve Red Gully Lake Expansion, Phase 2	24,195
Park and recreational facilities related to Oyster Creek, Phase 3	266,696
	<u>\$ 15,817,720</u>
Total additions to capital assets	<u>\$ 15,817,720</u>

Developers within the District are constructing water, sewer, drainage and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Commission. As of May 31, 2015, developer-constructed capital assets of \$26,971,285 were recorded in the government-wide financial statements and depreciation was recorded on those assets.

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

Debt

The changes in the debt position of the District during the fiscal year ended May 31, 2015, are summarized as follows:

Long-term debt payable, beginning of year	\$ 53,923,276
Increases in long-term debt	23,490,270
Decreases in long-term debt	(7,011,436)
Long-term debt payable, end of year	\$ 70,402,110

During the fiscal year ended May 31, 2015, the District issued its Series 2014 unlimited tax road bonds in the amount of \$6,175,000 at a net effective interest rate of 3.7155 percent and its Series 2014A unlimited tax bonds in the amount of \$4,770,000 at a net effective interest rate of 3.4625 percent. The proceeds of these bond sales were used to repay developers for assets constructed within the District.

At May 31, 2015, the District had \$151,680,000 of unlimited tax bonds, \$73,900,000 of road bonds and \$38,500,000 of recreational facilities bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer, drainage, road and recreational facilities systems within the District.

The District's bonds carry an underlying rating of "BBB-." The Road Series 2012, Series 2013 and 2013A bonds carry an "AA" rating by virtue of insurance issued by Assured Guaranty Municipal Corp. The Series 2014, Road Series 2014 and Series 2014A bonds carry an "AA" rating by virtue of insurance issued by Build America Mutual Assurance Company.

**Other Relevant Factors**

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Contingencies

Developers of the District are constructing water, sewer, drainage, and roads and paving facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$885,500. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Fort Bend County Municipal Utility District No. 134C**  
**Management's Discussion and Analysis (Continued)**  
**May 31, 2015**

Subsequent Event

In July 2015, the District awarded the sale of its Series 2015 Unlimited Tax Bonds in the amount of \$10,990,000 at a net effective interest rate of 3.6223 percent. The bonds were sold to repay developers for construction projects within the District.

**Fort Bend County Municipal Utility District No. 134C**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**May 31, 2015**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>Assets</b>						
Cash	\$ 3,424,336	\$ 2,721,335	\$ 328,712	\$ 6,474,383	\$ -	\$ 6,474,383
Certificates of deposit	-	1,225,782	-	1,225,782	-	1,225,782
Receivables:						
Property taxes	8,486	16,735	-	25,221	-	25,221
Service accounts	185,538	-	-	185,538	-	185,538
Accrued penalty and interest	-	-	-	-	3,479	3,479
Accrued interest	-	961	-	961	-	961
Interfund receivable	5,800	-	-	5,800	(5,800)	-
Due from others	19,521	-	-	19,521	-	19,521
Operating reserve	253,704	-	-	253,704	-	253,704
Prepaid expenditures	18,377	-	-	18,377	51,863	70,240
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	5,182,548	5,182,548
Construction in progress	-	-	-	-	74,879	74,879
Infrastructure	-	-	-	-	23,341,251	23,341,251
Roads and paving	-	-	-	-	19,595,223	19,595,223
Parks and recreation	-	-	-	-	659,676	659,676
<b>Total assets</b>	<b>\$ 3,915,762</b>	<b>\$ 3,964,813</b>	<b>\$ 328,712</b>	<b>\$ 8,209,287</b>	<b>\$ 48,903,119</b>	<b>\$ 57,112,406</b>

**Fort Bend County Municipal Utility District No. 134C**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**May 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 386,876	\$ -	\$ -	\$ 386,876	\$ -	\$ 386,876
Accrued interest payable	-	-	-	-	418,190	418,190
Retainage payable	3,744	-	-	3,744	-	3,744
Customer deposits	163,715	-	-	163,715	-	163,715
Unearned tap connection fees	17,190	-	-	17,190	-	17,190
Interfund payable	-	5,800	-	5,800	(5,800)	-
Long-term liabilities:						
Due within one year	-	-	-	-	1,565,000	1,565,000
Due after one year	-	-	-	-	68,837,110	68,837,110
<b>Total liabilities</b>	<b>571,525</b>	<b>5,800</b>	<b>0</b>	<b>577,325</b>	<b>70,814,500</b>	<b>71,391,825</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	8,486	16,735	0	25,221	(25,221)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	18,377	-	-	18,377	(18,377)	-
Restricted:						
Utility bonds	-	3,125,825	-	3,125,825	(3,125,825)	-
Road bonds	-	816,453	-	816,453	(816,453)	-
Water, sewer and drainage	-	-	328,712	328,712	(328,712)	-
Assigned, operating reserve	253,704	-	-	253,704	(253,704)	-
Unassigned	3,063,670	-	-	3,063,670	(3,063,670)	-
<b>Total fund balances</b>	<b>3,335,751</b>	<b>3,942,278</b>	<b>328,712</b>	<b>7,606,741</b>	<b>(7,606,741)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,915,762</b>	<b>\$ 3,964,813</b>	<b>\$ 328,712</b>	<b>\$ 8,209,287</b>		
Net position:						
Net investment in capital assets					(20,987,216)	(20,987,216)
Restricted for debt service					3,305,688	3,305,688
Restricted for capital projects					2,265	2,265
Unrestricted					3,399,844	3,399,844
<b>Total net position</b>					<b>\$ (14,279,419)</b>	<b>\$ (14,279,419)</b>

**Fort Bend County Municipal Utility District No. 134C**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended May 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,580,304	\$ 3,029,837	\$ -	\$ 4,610,141	\$ 10,701	\$ 4,620,842
Water service	506,674	-	-	506,674	-	506,674
Sewer service	868,299	-	-	868,299	-	868,299
Surface water conversion	652,293	-	-	652,293	-	652,293
Penalty and interest	43,938	6,480	-	50,418	1,564	51,982
Tap connection and inspection fees	725,177	-	-	725,177	-	725,177
Interest income	3,847	5,677	742	10,266	-	10,266
Other income	3,327	-	-	3,327	-	3,327
<b>Total revenues</b>	<b>4,383,859</b>	<b>3,041,994</b>	<b>742</b>	<b>7,426,595</b>	<b>12,265</b>	<b>7,438,860</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	1,254,953	-	-	1,254,953	-	1,254,953
Professional fees	161,233	2,025	-	163,258	3,600	166,858
Contracted services	559,168	66,869	-	626,037	-	626,037
Utilities	130,614	-	-	130,614	-	130,614
Repairs and maintenance	298,301	-	-	298,301	5,335	303,636
Other expenditures	93,645	525	258	94,428	-	94,428
Tap connections	256,945	-	-	256,945	-	256,945
Capital outlay	145,403	-	9,743,002	9,888,405	(9,888,405)	-
Depreciation	-	-	-	-	1,534,629	1,534,629
Debt service:						
Principal retirement	-	245,000	-	245,000	(245,000)	-
Interest and fees	-	1,442,178	-	1,442,178	147,242	1,589,420
Debt issuance costs	-	-	622,323	622,323	-	622,323
<b>Total expenditures/expenses</b>	<b>2,900,262</b>	<b>1,756,597</b>	<b>10,365,583</b>	<b>15,022,442</b>	<b>(8,442,599)</b>	<b>6,579,843</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>1,483,597</b>	<b>1,285,397</b>	<b>(10,364,841)</b>	<b>(7,595,847)</b>	<b>8,454,864</b>	

**Fort Bend County Municipal Utility District No. 134C**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended May 31, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
General obligation bonds issued	\$ -	\$ 335,650	\$ 10,609,350	\$ 10,945,000	\$ (10,945,000)	
Discount on debt issued	-	-	(235,802)	(235,802)	235,802	
Total other financing sources	<u>0</u>	<u>335,650</u>	<u>10,373,548</u>	<u>10,709,198</u>	<u>(10,709,198)</u>	
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,483,597	1,621,047	8,707	3,113,351	(3,113,351)	
<b>Change in Net Position</b>					859,017	\$ 859,017
<b>Fund Balances/Net Position</b>						
Beginning of year	<u>1,852,154</u>	<u>2,321,231</u>	<u>320,005</u>	<u>4,493,390</u>	-	<u>(15,138,436)</u>
End of year	<u>\$ 3,335,751</u>	<u>\$ 3,942,278</u>	<u>\$ 328,712</u>	<u>\$ 7,606,741</u>	<u>\$ 0</u>	<u>\$ (14,279,419)</u>

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

Fort Bend County Municipal Utility District No. 134C (the District) was created by House Bill Number 1342 (the Bill) of the 77<sup>th</sup> Legislature of the State of Texas, Regular Session, 2001. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification is for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

### ***Measurement Focus and Basis of Accounting***

#### **Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as deferred inflows of resources.

#### **Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

### ***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

### ***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis.

Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### ***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

### ***Use of 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 amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### ***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

### ***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended May 31, 2015, include collections during the current period or within 60 days of year-end related to the 2014 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended May 31, 2015, the 2014 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Roads and paving	10-30
Parks and recreation	10-30

### **Debt Issuance Costs**

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and therefore are recognized as an expense/expenditure in the period incurred.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Net Position/Fund Balances**

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

### **Reconciliation of Government-wide and Fund Financial Statements**

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 48,853,577
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	25,221
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	3,479
Prepaid bond issuance costs for governmental activities are not financial resources and are not reported in the funds	51,863
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(418,190)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(70,402,110)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (21,886,160)</u></u>

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 3,113,351
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded noncapitalized expenditures and depreciation expense in the current year.	8,344,841
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	235,802
Governmental funds report proceeds from sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(10,700,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statements of activities.	12,265
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(147,242)</u>
Change in net position of governmental activities.	<u><u>\$ 859,017</u></u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At May 31, 2015, none of the District's bank balances were exposed to custodial credit risk.

### **Investments**

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

At May 31, 2015, the District had no investments other than certificates of deposit.

### **Investment Income**

Investment income of \$10,266 for the year ended May 31, 2015, consisted of interest income.

### **Note 3: Capital Assets**

A summary of changes in capital assets for the year ended May 31, 2015, is presented below:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, non-depreciable:			
Land and improvements	\$ 3,811,041	\$ 1,371,507	\$ 5,182,548
Construction in progress	-	74,879	74,879
Total capital assets, non-depreciable	<u>3,811,041</u>	<u>1,446,386</u>	<u>5,257,427</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

<b>Governmental Activities (Continued)</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Balances, End of Year</b>
Capital assets, depreciable:			
Water production and distribution facilities	\$ 3,441,889	\$ 1,331,125	\$ 4,773,014
Wastewater collection and treatment facilities	4,783,513	1,869,416	6,652,929
Drainage facilities	9,214,067	4,595,466	13,809,533
Roads and paving	16,731,826	6,308,631	23,040,457
Parks and recreation	478,017	266,696	744,713
Total capital assets, depreciable	<u>34,649,312</u>	<u>14,371,334</u>	<u>49,020,646</u>
Less accumulated depreciation:			
Water production and distribution facilities	(271,457)	(106,595)	(378,052)
Wastewater collection and treatment facilities	(324,638)	(148,732)	(473,370)
Drainage facilities	(735,536)	(307,267)	(1,042,803)
Roads and paving	(2,510,434)	(934,800)	(3,445,234)
Parks and recreation	(47,802)	(37,235)	(85,037)
Total accumulated depreciation	<u>(3,889,867)</u>	<u>(1,534,629)</u>	<u>(5,424,496)</u>
Total governmental activities, net	<u>\$ 34,570,486</u>	<u>\$ 14,283,091</u>	<u>\$ 48,853,577</u>

**Note 4: Long-term Liabilities**

Changes in long-term liabilities for the year ended May 31, 2015, were as follows:

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due in One Year</b>
Bonds payable:					
General obligation bonds	\$ 33,690,000	\$ 10,945,000	\$ 245,000	\$ 44,390,000	\$ 1,565,000
Less discounts on bonds	746,817	235,802	23,444	959,175	-
	32,943,183	10,709,198	221,556	43,430,825	1,565,000
Due to developers	<u>20,980,093</u>	<u>12,781,072</u>	<u>6,789,880</u>	<u>26,971,285</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 53,923,276</u>	<u>\$ 23,490,270</u>	<u>\$ 7,011,436</u>	<u>\$ 70,402,110</u>	<u>\$ 1,565,000</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

**General Obligation Bonds**

	<b>Series 2010</b>	<b>Road Series 2011</b>
Amounts outstanding, May 31, 2015	\$4,920,000	\$4,615,000
Interest rates	3.75% to 5.10%	4.00% to 6.00%
Maturity dates, serially beginning/ending	September 1, 2015/2034	September 1, 2015/2035
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2018	September 1, 2018
	<b>Series 2012</b>	<b>Road Series 2012</b>
Amounts outstanding, May 31, 2015	\$5,000,000	\$2,660,000
Interest rates	2.600% to 4.125%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2015/2037	September 1, 2015/2038
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2018	September 1, 2018
	<b>Series 2013</b>	<b>Series 2013A</b>
Amounts outstanding, May 31, 2015	\$4,930,000	\$4,820,000
Interest rates	2.00% to 4.00%	3.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2015/2038	September 1, 2015/2038
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2019	September 1, 2021

\*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

	<b>Series 2014</b>	<b>Road Series 2014</b>
Amounts outstanding, May 31, 2015	\$6,500,000	\$6,175,000
Interest rates	2.00% to 4.25%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2015/2038	September 1, 2015/2038
Interest payment dates	September 1/ March 1	September 1/ March 1
Callable dates*	September 1, 2021	September 1, 2022
		<b>Series 2014A</b>
Amount outstanding, May 31, 2015		\$4,770,000
Interest rates		2.00% to 4.00%
Maturity dates, serially beginning/ending		September 1, 2015/2038
Interest payment dates		September 1/ March 1
Callable date*		September 1, 2022

\*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

**Annual Debt Service Requirements**

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at May 31, 2015.

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 1,565,000	\$ 1,653,052	\$ 3,218,052
2017	1,610,000	1,613,003	3,223,003
2018	1,630,000	1,571,104	3,201,104
2019	1,660,000	1,526,373	3,186,373
2020	1,675,000	1,479,462	3,154,462
2021-2025	8,860,000	6,557,833	15,417,833
2026-2030	9,780,000	4,851,388	14,631,388
2031-2035	11,035,000	2,664,577	13,699,577
2036-2039	6,575,000	511,164	7,086,164
Total	<u>\$ 44,390,000</u>	<u>\$ 22,427,956</u>	<u>\$ 66,817,956</u>

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount, and are further payable from and secured by a lien on and a pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

Bonds voted – water, sewer and drainage facilities	\$ 183,000,000
Bonds sold	31,320,000
Bonds voted – road and paving facilities	87,750,000
Bonds sold	13,850,000
Bonds voted – park and recreational facilities	38,500,000

### ***Due to Developers***

Developers of the District have constructed detention facilities, road and paving facilities, and underground utilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission. The District's engineer estimates reimbursable costs for completed projects are \$26,971,285. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

### **Note 5: Significant Bond Order and Commission Requirements**

- A. The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended May 31, 2015, the District levied an ad valorem debt service tax at the rate of \$0.7500 per \$100 of assessed valuation, which resulted in a tax levy of \$2,453,739 on the taxable valuation of \$326,864,376 for the 2014 tax year. The interest and principal requirements to be paid from the tax revenues are \$2,232,809 of which \$539,700 has been paid and \$1,693,109 is due on September 1, 2015.
- B. In accordance with the Road Series 2012, Series 2013, 2013A, 2014, Road 2014 and Series 2014A Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

Bond interest reserve, beginning of year	\$	419,728
Additions:		
Interest appropriated from bond proceeds:		
Road Series 2014	\$	195,200
Series 2014A		140,450
Accrued interest received on bonds at date of sale:		
Road Series 2014		13,556
Series 2014A		9,363
		358,569
Deductions--Appropriation from bond interest paid:		
Road Series 2012		28,437
Series 2013		47,585
Series 2013A		124,868
Series 2014		178,109
Road Series 2014		113,867
Series 2014A		46,817
		539,683
Bond interest reserve, end of year	\$	238,614

**Note 6: Maintenance Taxes**

At an election held November 6, 2007, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended May 31, 2015, the District levied an ad valorem maintenance tax at the rate of \$0.4500 per \$100 of assessed valuation, which resulted in a tax levy of \$1,472,243 on the taxable valuation of \$326,864,376 for the 2014 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Road Debt Service Taxes**

At an election held November 6, 2007, voters authorized a road debt service tax on all property within the District subject to taxation. During the year ended May 31, 2015, the District levied an ad valorem road debt service tax at the rate of \$0.1500 per \$100 of assessed valuation, which resulted in a tax levy of \$490,749 on the taxable valuation of \$326,864,376 for the 2014 tax year. The interest and principal requirements to be paid from the road debt service tax revenues and available resources are \$997,810 of which \$289,538 has been paid and \$708,272 is due on September 1, 2015.

# Fort Bend County Municipal Utility District No. 134C

## Notes to Financial Statements

May 31, 2015

### **Note 8: Financing and Operation of Regional Facilities**

On November 14, 2007, the District entered into a regional contract with Fort Bend County Municipal Utility District No. 134A (District No. 134A) and Fort Bend County Municipal Utility District No. 134B (District No. 134B), whereby District No. 134A will act as a master district and provide, or cause to be provided, the regional water supply and delivery facilities and the regional waste collection, treatment and disposal facilities necessary to serve the District. Under the terms of the regional contract, which is in effect for 50 years, operating charges per single-family equivalent connection were established and are billed to the participants on a monthly basis. The District incurred \$1,254,953 of operating costs attributable to facilities for the year ended May 31, 2015.

District No. 134A charges a connection fee to pay for the costs of constructing regional facilities. As of May 31, 2015, the District has purchased 976 water and sewer connections. In addition, District No. 134A is authorized, under certain circumstances, to issue contract revenue bonds sufficient to complete acquisition and construction of the facilities as needed to serve all districts in the service area. Once bonds are issued, each participating district will contribute to the debt service requirements of the bonds.

### **Note 9: Regional Water Authority**

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of May 31, 2015, the Authority was billing District No. 134A \$2.45 per 1,000 gallons of water pumped from its wells and \$2.80 per 1,000 gallons of surface water purchased from the Authority. These amounts are subject to future increases.

### **Note 10: 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. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

### **Note 11: Contingencies**

Developers of the District are constructing water, sewer, drainage, and roads and paving facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales. These amounts are to be

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Financial Statements**  
**May 31, 2015**

reimbursed from bond proceeds to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$885,500. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

**Note 12: Subsequent Event**

In July 2015, the District awarded the sale of its Series 2015 Unlimited Tax Bonds in the amount of \$10,990,000 at a net effective interest rate of 3.6223 percent. The bonds were sold to repay developers for construction projects within the District.

## **Required Supplementary Information**

**Fort Bend County Municipal Utility District No. 134C**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended May 31, 2015**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Property taxes	\$ 1,211,600	\$ 1,211,600	\$ 1,580,304	\$ 368,704
Water service	552,000	552,000	506,674	(45,326)
Sewer service	852,500	852,500	868,299	15,799
Surface water conversion	612,000	612,000	652,293	40,293
Penalty and interest	54,000	54,000	43,938	(10,062)
Tap connection and inspection fees	705,000	705,000	725,177	20,177
Investment income	1,800	1,800	3,847	2,047
Other	1,000	1,000	3,327	2,327
<b>Total revenues</b>	<b>3,989,900</b>	<b>3,989,900</b>	<b>4,383,859</b>	<b>393,959</b>
<b>Expenditures</b>				
Service operations:				
Purchased services	1,224,138	1,370,138	1,254,953	115,185
Professional fees	110,000	110,000	161,233	(51,233)
Contracted services	516,000	528,000	559,168	(31,168)
Utilities	250,000	250,000	130,614	119,386
Repairs and maintenance	286,000	286,000	298,301	(12,301)
Other expenditures	46,425	233,925	93,645	140,280
Tap connections	237,500	237,500	256,945	(19,445)
Capital outlay	-	75,000	145,403	(70,403)
<b>Total expenditures</b>	<b>2,670,063</b>	<b>3,090,563</b>	<b>2,900,262</b>	<b>190,301</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,319,837</b>	<b>899,337</b>	<b>1,483,597</b>	<b>584,260</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,852,154</b>	<b>1,852,154</b>	<b>1,852,154</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 3,171,991</b>	<b>\$ 2,751,491</b>	<b>\$ 3,335,751</b>	<b>\$ 584,260</b>

**Fort Bend County Municipal Utility District No. 134C**  
**Notes to Required Supplementary Information**  
**May 31, 2015**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2015.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Supplementary Information**

**Fort Bend County Municipal Utility District No. 134C**  
**Supplementary Schedules Included Within This Report**  
**May 31, 2015**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 14-28
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund
- [X] Board Members, Key Personnel and Consultants

# Fort Bend County Municipal Utility District No. 134C

## Schedule of Services and Rates

### Year Ended May 31, 2015

1. Services provided by the District:

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

2. Retail service providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water:	\$ 20.00	10,000	N	\$ 1.50	10,001 to 15,000
				\$ 1.75	15,001 to 20,000
				\$ 2.00	20,001 to 25,000
				\$ 2.50	25,001 to 30,000
				\$ 3.50	30,001 to No Limit
Wastewater:	\$ 46.41	0	Y		
Regional water fee:	\$ 3.08	0	N	\$ 3.08	1 to No Limit

Does the District employ winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage (including fees): Water \$ 50.80 Wastewater \$ 46.41

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,145	1,140	x1.0	1,140
1"	620	611	x2.5	1,528
1 1/2"	13	10	x5.0	50
2"	31	31	x8.0	248
3"	5	5	x15.0	75
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,815	1,798		3,066
Total wastewater	1,743	1,731	x1.0	1,731

3. Total water consumption (in thousands) during the period:

Gallons pumped into the system:	255,229
Gallons billed to customers:	255,229
Water accountability ratio (gallons billed/gallons pumped):	100.00%

\*"ESFC" means equivalent single-family connections

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of General Fund Expenditures**  
**Year Ended May 31, 2015**

<b>Personnel (including benefits)</b>		\$ -
<b>Professional Fees</b>		
Auditing	\$ 16,200	
Legal	106,364	
Engineering	38,669	
Financial advisor	-	
	-	161,233
<b>Purchased Services for Resale</b>		
Bulk water and wastewater service purchases		1,254,953
<b>Regional Water Fee</b>		-
<b>Contracted Services</b>		
Bookkeeping	14,676	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	46,350	
Other contracted services	193,053	
	193,053	254,079
<b>Utilities</b>		130,614
<b>Repairs and Maintenance</b>		298,301
<b>Administrative Expenditures</b>		
Directors' fees	10,950	
Office supplies	-	
Insurance	16,461	
Other administrative expenditures	66,234	
	66,234	93,645
<b>Capital Outlay</b>		
Capitalized assets	93,540	
Expenditures not capitalized	51,863	
	51,863	145,403
<b>Tap Connection Expenditures</b>		256,945
<b>Solid Waste Disposal</b>		305,089
<b>Fire Fighting</b>		-
<b>Parks and Recreation</b>		-
<b>Other Expenditures</b>		-
		-
Total expenditures		\$ 2,900,262

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Temporary Investments**  
**May 31, 2015**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>Debt Service Fund</b>				
Certificates of Deposit				
No. 5020920	0.30%	08/26/15	\$ 245,782	\$ 195
No. 3116003007	0.35%	08/26/15	245,000	222
No. 66000246	0.30%	08/26/15	245,000	195
No. 1002114998	0.20%	08/26/15	245,000	128
No. 9009010020	0.35%	08/26/15	245,000	221
Totals			<u>\$ 1,225,782</u>	<u>\$ 961</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended May 31, 2015**

	<b>Maintenance Taxes</b>	<b>Road Debt Service Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 5,858	\$ 2,458	\$ 6,204
Additions and corrections to prior years' taxes	<u>110,689</u>	<u>35,139</u>	<u>58,282</u>
Adjusted receivable, beginning of year	<u>116,547</u>	<u>37,597</u>	<u>64,486</u>
 <b>2014 Original Tax Levy</b>	 1,333,320	 444,440	 2,222,200
Additions and corrections	<u>138,923</u>	<u>46,309</u>	<u>231,539</u>
Adjusted tax levy	<u>1,472,243</u>	<u>490,749</u>	<u>2,453,739</u>
Total to be accounted for	1,588,790	528,346	2,518,225
Tax collections: Current year	(1,464,233)	(488,078)	(2,440,389)
Prior years	<u>(116,071)</u>	<u>(37,360)</u>	<u>(64,009)</u>
Receivable, end of year	<u><u>\$ 8,486</u></u>	<u><u>\$ 2,908</u></u>	<u><u>\$ 13,827</u></u>
 <b>Receivable, by Years</b>			
2014	\$ 8,010	\$ 2,671	\$ 13,350
2013	406	168	433
2012	<u>70</u>	<u>69</u>	<u>44</u>
Receivable, end of year	<u><u>\$ 8,486</u></u>	<u><u>\$ 2,908</u></u>	<u><u>\$ 13,827</u></u>

**Fort Bend County Municipal Utility District No. 134C**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended May 31, 2015**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Property Valuations</b>				
Land	\$ 99,260,005	\$ 76,459,310	\$ 60,564,030	\$ 55,513,130
Improvements	241,178,260	125,069,580	68,896,670	40,734,750
Personal property	2,728,670	776,140	913,630	390,130
Exemptions	<u>(16,302,559)</u>	<u>(14,925,038)</u>	<u>(16,206,076)</u>	<u>(18,189,465)</u>
Total property valuations	<u>\$ 326,864,376</u>	<u>\$ 187,379,992</u>	<u>\$ 114,168,254</u>	<u>\$ 78,448,545</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.7500	\$ 0.5800	\$ 0.3250	\$ 0.3800
Road debt service tax rates	0.1500	0.2250	0.5100	0.5200
Maintenance tax rates*	<u>0.4500</u>	<u>0.5450</u>	<u>0.5150</u>	<u>0.4000</u>
Total tax rates per \$100 valuation	<u>\$ 1.3500</u>	<u>\$ 1.3500</u>	<u>\$ 1.3500</u>	<u>\$ 1.3000</u>
<b>Tax Levy</b>	<u>\$ 4,416,731</u>	<u>\$ 2,561,876</u>	<u>\$ 1,541,274</u>	<u>\$ 1,019,831</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>				
	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

\*Maximum tax rate approved by voters: \$1.50 on November 6, 2007

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

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2010		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 140,000	\$ 226,864	\$ 366,864
2017	150,000	221,426	371,426
2018	155,000	215,708	370,708
2019	165,000	209,501	374,501
2020	175,000	202,614	377,614
2021	185,000	195,141	380,141
2022	195,000	187,064	382,064
2023	205,000	178,361	383,361
2024	215,000	169,014	384,014
2025	230,000	158,886	388,886
2026	240,000	147,956	387,956
2027	255,000	136,260	391,260
2028	270,000	123,724	393,724
2029	285,000	110,333	395,333
2030	300,000	96,109	396,109
2031	315,000	81,118	396,118
2032	330,000	65,025	395,025
2033	350,000	47,685	397,685
2034	370,000	29,325	399,325
2035	390,000	9,945	399,945
Totals	\$ 4,920,000	\$ 2,812,059	\$ 7,732,059

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Road Series 2011		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 115,000	\$ 255,125	\$ 370,125
2017	120,000	250,425	370,425
2018	130,000	245,262	375,262
2019	140,000	239,350	379,350
2020	145,000	232,756	377,756
2021	155,000	225,437	380,437
2022	165,000	217,231	382,231
2023	175,000	208,307	383,307
2024	185,000	198,856	383,856
2025	195,000	188,638	383,638
2026	205,000	177,638	382,638
2027	220,000	165,950	385,950
2028	230,000	153,000	383,000
2029	245,000	138,750	383,750
2030	260,000	123,600	383,600
2031	275,000	107,550	382,550
2032	295,000	90,450	385,450
2033	310,000	72,300	382,300
2034	330,000	53,100	383,100
2035	350,000	32,700	382,700
2036	370,000	11,100	381,100
Totals	\$ 4,615,000	\$ 3,387,525	\$ 8,002,525

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 120,000	\$ 181,181	\$ 301,181
2017	125,000	177,996	302,996
2018	135,000	174,616	309,616
2019	140,000	171,041	311,041
2020	145,000	167,336	312,336
2021	155,000	163,281	318,281
2022	160,000	158,711	318,711
2023	170,000	153,676	323,676
2024	180,000	148,071	328,071
2025	190,000	141,776	331,776
2026	195,000	134,941	329,941
2027	205,000	127,639	332,639
2028	215,000	119,815	334,815
2029	230,000	111,414	341,414
2030	240,000	102,244	342,244
2031	250,000	92,444	342,444
2032	265,000	82,144	347,144
2033	275,000	71,344	346,344
2034	290,000	60,044	350,044
2035	305,000	47,953	352,953
2036	320,000	35,063	355,063
2037	335,000	21,553	356,553
2038	355,000	7,322	362,322
Totals	<u>\$ 5,000,000</u>	<u>\$ 2,651,605</u>	<u>\$ 7,651,605</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Road Series 2012		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 60,000	\$ 93,019	\$ 153,019
2017	65,000	91,144	156,144
2018	65,000	89,193	154,193
2019	70,000	87,169	157,169
2020	75,000	84,994	159,994
2021	75,000	82,744	157,744
2022	80,000	80,419	160,419
2023	85,000	77,944	162,944
2024	90,000	75,319	165,319
2025	95,000	72,544	167,544
2026	95,000	69,693	164,693
2027	100,000	66,769	166,769
2028	105,000	63,628	168,628
2029	110,000	60,269	170,269
2030	120,000	56,675	176,675
2031	125,000	52,300	177,300
2032	130,000	47,200	177,200
2033	135,000	41,900	176,900
2034	145,000	36,300	181,300
2035	150,000	30,400	180,400
2036	160,000	24,200	184,200
2037	165,000	17,700	182,700
2038	175,000	10,900	185,900
2039	185,000	3,700	188,700
Totals	<u>\$ 2,660,000</u>	<u>\$ 1,416,123</u>	<u>\$ 4,076,123</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2013		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 210,000	\$ 158,000	\$ 368,000
2017	210,000	153,800	363,800
2018	205,000	149,650	354,650
2019	205,000	145,550	350,550
2020	205,000	141,450	346,450
2021	205,000	136,325	341,325
2022	205,000	130,175	335,175
2023	205,000	124,025	329,025
2024	205,000	117,875	322,875
2025	205,000	111,725	316,725
2026	205,000	105,575	310,575
2027	205,000	99,425	304,425
2028	205,000	93,275	298,275
2029	205,000	86,100	291,100
2030	205,000	77,900	282,900
2031	205,000	69,700	274,700
2032	205,000	61,500	266,500
2033	205,000	53,300	258,300
2034	205,000	45,100	250,100
2035	205,000	36,900	241,900
2036	205,000	28,700	233,700
2037	205,000	20,500	225,500
2038	205,000	12,300	217,300
2039	205,000	4,100	209,100
Totals	\$ 4,930,000	\$ 2,162,950	\$ 7,092,950

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2013A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 205,000	\$ 191,525	\$ 396,525
2017	205,000	185,375	390,375
2018	205,000	179,225	384,225
2019	205,000	173,075	378,075
2020	200,000	167,000	367,000
2021	200,000	161,000	361,000
2022	200,000	155,000	355,000
2023	200,000	148,000	348,000
2024	200,000	140,000	340,000
2025	200,000	132,000	332,000
2026	200,000	124,000	324,000
2027	200,000	116,000	316,000
2028	200,000	108,000	308,000
2029	200,000	99,750	299,750
2030	200,000	91,250	291,250
2031	200,000	82,500	282,500
2032	200,000	73,500	273,500
2033	200,000	64,250	264,250
2034	200,000	54,750	254,750
2035	200,000	45,000	245,000
2036	200,000	35,000	235,000
2037	200,000	25,000	225,000
2038	200,000	15,000	215,000
2039	200,000	5,000	205,000
Totals	\$ 4,820,000	\$ 2,571,200	\$ 7,391,200

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 275,000	\$ 216,088	\$ 491,088
2017	275,000	210,587	485,587
2018	275,000	204,400	479,400
2019	275,000	196,837	471,837
2020	270,000	188,662	458,662
2021	270,000	180,563	450,563
2022	270,000	173,137	443,137
2023	270,000	165,713	435,713
2024	270,000	157,612	427,612
2025	270,000	149,513	419,513
2026	270,000	141,075	411,075
2027	270,000	132,131	402,131
2028	270,000	122,850	392,850
2029	270,000	113,400	383,400
2030	270,000	103,612	373,612
2031	270,000	93,487	363,487
2032	270,000	83,025	353,025
2033	270,000	72,225	342,225
2034	270,000	61,425	331,425
2035	270,000	50,625	320,625
2036	270,000	39,656	309,656
2037	270,000	28,519	298,519
2038	270,000	17,213	287,213
2039	270,000	5,738	275,738
Totals	\$ 6,500,000	\$ 2,908,093	\$ 9,408,093

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Road Series 2014		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 260,000	\$ 192,600	\$ 452,600
2017	260,000	187,400	447,400
2018	260,000	182,200	442,200
2019	260,000	177,000	437,000
2020	260,000	171,800	431,800
2021	260,000	165,300	425,300
2022	260,000	157,500	417,500
2023	260,000	149,700	409,700
2024	260,000	141,900	401,900
2025	260,000	134,100	394,100
2026	260,000	126,300	386,300
2027	255,000	118,575	373,575
2028	255,000	110,606	365,606
2029	255,000	102,319	357,319
2030	255,000	93,713	348,713
2031	255,000	84,788	339,788
2032	255,000	75,544	330,544
2033	255,000	65,981	320,981
2034	255,000	56,100	311,100
2035	255,000	45,900	300,900
2036	255,000	35,700	290,700
2037	255,000	25,500	280,500
2038	255,000	15,300	270,300
2039	255,000	5,100	260,100
Totals	<u>\$ 6,175,000</u>	<u>\$ 2,620,926</u>	<u>\$ 8,795,926</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Series 2014A		
	Principal Due September 1	Interest Due September 1, March 1	Total
2016	\$ 180,000	\$ 138,650	\$ 318,650
2017	200,000	134,850	334,850
2018	200,000	130,850	330,850
2019	200,000	126,850	326,850
2020	200,000	122,850	322,850
2021	200,000	118,850	318,850
2022	200,000	114,850	314,850
2023	200,000	109,850	309,850
2024	200,000	103,850	303,850
2025	200,000	97,850	297,850
2026	200,000	91,850	291,850
2027	200,000	85,850	285,850
2028	200,000	79,850	279,850
2029	200,000	73,850	273,850
2030	200,000	67,725	267,725
2031	200,000	61,350	261,350
2032	200,000	54,600	254,600
2033	200,000	47,600	247,600
2034	200,000	40,600	240,600
2035	200,000	33,600	233,600
2036	200,000	26,475	226,475
2037	200,000	19,225	219,225
2038	195,000	11,700	206,700
2039	195,000	3,900	198,900
Totals	<u>\$ 4,770,000</u>	<u>\$ 1,897,475</u>	<u>\$ 6,667,475</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**May 31, 2015**

Due During Fiscal Years Ending May 31	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 1,565,000	\$ 1,653,052	\$ 3,218,052
2017	1,610,000	1,613,003	3,223,003
2018	1,630,000	1,571,104	3,201,104
2019	1,660,000	1,526,373	3,186,373
2020	1,675,000	1,479,462	3,154,462
2021	1,705,000	1,428,641	3,133,641
2022	1,735,000	1,374,087	3,109,087
2023	1,770,000	1,315,576	3,085,576
2024	1,805,000	1,252,497	3,057,497
2025	1,845,000	1,187,032	3,032,032
2026	1,870,000	1,119,028	2,989,028
2027	1,910,000	1,048,599	2,958,599
2028	1,950,000	974,748	2,924,748
2029	2,000,000	896,185	2,896,185
2030	2,050,000	812,828	2,862,828
2031	2,095,000	725,237	2,820,237
2032	2,150,000	632,988	2,782,988
2033	2,200,000	536,585	2,736,585
2034	2,265,000	436,744	2,701,744
2035	2,325,000	333,023	2,658,023
2036	1,980,000	235,894	2,215,894
2037	1,630,000	157,997	1,787,997
2038	1,655,000	89,735	1,744,735
2039	1,310,000	27,538	1,337,538
Totals	<u>\$ 44,390,000</u>	<u>\$ 22,427,956</u>	<u>\$ 66,817,956</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Changes in Long-term Bonded Debt**  
**Year Ended May 31, 2015**

	<b>Bond</b>			
	<b>Series 2010</b>	<b>Road Series 2011</b>	<b>Series 2012</b>	<b>Road Series 2012</b>
Interest rates	3.75% to 5.10%	4.00% to 6.00%	2.600% to 4.125%	3.00% to 4.00%
Dates interest payable	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity dates	September 1, 2015/2034	September 1, 2015/2035	September 1, 2015/2037	September 1, 2015/2038
Bonds outstanding, beginning of current year	\$ 5,055,000	\$ 4,725,000	\$ 5,000,000	\$ 2,660,000
Bonds sold during current year	-	-	-	-
Retirements, principal	135,000	110,000	-	-
Bonds outstanding, end of current year	\$ 4,920,000	\$ 4,615,000	\$ 5,000,000	\$ 2,660,000
Interest paid during current year	\$ 232,020	\$ 259,625	\$ 182,741	\$ 93,918

Paying agent's name and address:

<b>Series 2010</b>	- Wells Fargo Bank, N.A., Dallas, Texas
<b>Road Series 2011</b>	- Wells Fargo Bank, N.A., Dallas, Texas
<b>Series 2012</b>	- Wells Fargo Bank, N.A., Dallas, Texas
<b>Road Series 2012</b>	- Wells Fargo Bank, N.A., Dallas, Texas
<b>Series 2013</b>	- Wells Fargo Bank, N.A., Dallas, Texas
<b>Series 2013A</b>	- Wells Fargo Bank, N.A., Minneapolis, Minnesota
<b>Series 2014</b>	- Wells Fargo Bank, N.A., Minneapolis, Minnesota
<b>Road Series 2014</b>	- Wells Fargo Bank, N.A., Minneapolis, Minnesota
<b>Series 2014A</b>	- Wells Fargo Bank, N.A., Minneapolis, Minnesota

Bond authority:

	<b>Tax Bonds</b>	<b>Road Bonds</b>	<b>Park and Recreational Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 183,000,000	\$ 87,750,000	\$ 38,500,000	0
Amount issued	\$ 31,320,000	\$ 13,850,000	\$ -	0
Remaining to be issued	\$ 151,680,000	\$ 73,900,000	\$ 38,500,000	0

Debt service fund cash and temporary investment balances as of May 31, 2015: \$ 3,947,117

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,784,082

**Issues**

<b>Series 2013</b>	<b>Series 2013A</b>	<b>Series 2014</b>	<b>Road Series 2014</b>	<b>Series 2014A</b>	<b>Totals</b>
2.00% to 4.00%	3.00% to 5.00%	2.00% to 4.25%	2.00% to 4.00%	2.00% to 4.00%	
September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1	
September 1, 2015/2038	September 1, 2015/2038	September 1, 2015/2038	September 1, 2015/2038	September 1, 2015/2038	
\$ 4,930,000	\$ 4,820,000	\$ 6,500,000	\$ -	\$ -	\$ 33,690,000
-	-	-	6,175,000	4,770,000	10,945,000
-	-	-	-	-	245,000
<u>\$ 4,930,000</u>	<u>\$ 4,820,000</u>	<u>\$ 6,500,000</u>	<u>\$ 6,175,000</u>	<u>\$ 4,770,000</u>	<u>\$ 44,390,000</u>
<u>\$ 160,100</u>	<u>\$ 194,600</u>	<u>\$ 182,365</u>	<u>\$ 113,867</u>	<u>\$ 46,817</u>	<u>\$ 1,466,053</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended May 31,**

	Amounts				
	2015	2014	2013	2012	2011
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,580,304	\$ 1,086,664	\$ 692,648	\$ 338,359	\$ 306,153
Water service	506,674	408,755	241,598	238,003	129,030
Sewer service	868,299	606,735	310,986	209,546	111,466
Surface water conversion	652,293	483,716	350,989	151,488	85,151
Penalty and interest	43,938	38,500	21,500	4,044	10,218
Tap connection and inspection fees	725,177	666,735	619,874	223,254	136,268
Interest income	3,847	1,685	322	271	493
Other income	3,327	2,586	1,605	-	-
	<u>4,383,859</u>	<u>3,295,376</u>	<u>2,239,522</u>	<u>1,164,965</u>	<u>778,779</u>
<b>Total revenues</b>					
<b>Expenditures</b>					
Service operations:					
Purchased services	1,254,953	1,007,122	944,874	665,114	488,306
Professional fees	161,233	108,747	104,465	91,934	69,093
Contracted services	559,168	385,234	240,640	172,808	107,183
Utilities	130,614	-	-	-	-
Repairs and maintenance	298,301	268,876	267,142	92,991	29,385
Other expenditures	93,645	40,693	34,880	30,776	13,604
Tap connections	256,945	237,403	240,855	105,679	58,944
Capital outlay	145,403	-	6,500	-	40,858
	<u>2,900,262</u>	<u>2,048,075</u>	<u>1,839,356</u>	<u>1,159,302</u>	<u>807,373</u>
<b>Total expenditures</b>					
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,483,597</u>	<u>1,247,301</u>	<u>400,166</u>	<u>5,663</u>	<u>(28,594)</u>
<b>Other Financing Sources</b>					
Interfund transfers in	-	19,838	27,916	-	-
Developer advances received	-	-	-	-	30,000
	<u>0</u>	<u>19,838</u>	<u>27,916</u>	<u>0</u>	<u>30,000</u>
<b>Total other financing sources</b>					
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,483,597	1,267,139	428,082	5,663	1,406
<b>Fund Balance, Beginning of Year</b>	<u>1,852,154</u>	<u>585,015</u>	<u>156,933</u>	<u>151,270</u>	<u>149,864</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,335,751</u>	<u>\$ 1,852,154</u>	<u>\$ 585,015</u>	<u>\$ 156,933</u>	<u>\$ 151,270</u>
<b>Total Active Retail Water Connections</b>	<u>1,798</u>	<u>1,322</u>	<u>841</u>	<u>449</u>	<u>300</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,731</u>	<u>1,268</u>	<u>802</u>	<u>423</u>	<u>272</u>

**Percent of Fund Total Revenues**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
36.0 %	33.0 %	30.9 %	29.0 %	39.3 %
11.6	12.4	10.8	20.4	16.6
19.8	18.4	13.9	18.0	14.3
14.9	14.7	15.7	13.0	10.9
1.0	1.2	0.9	0.4	1.3
16.5	20.2	27.7	19.2	17.5
0.1	0.0	0.0	0.0	0.1
0.1	0.1	0.1	-	-
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
28.6	30.6	42.1	57.1	62.7
3.7	3.3	4.6	7.9	8.9
12.8	11.7	10.8	14.8	13.8
3.0	-	-	-	-
6.8	8.2	11.9	8.0	3.8
2.1	1.2	1.6	2.6	1.7
5.9	7.2	10.8	9.1	7.6
3.3	-	0.3	-	5.2
<u>66.2</u>	<u>62.2</u>	<u>82.1</u>	<u>99.5</u>	<u>103.7</u>
<u><u>33.8 %</u></u>	<u><u>37.8 %</u></u>	<u><u>17.9 %</u></u>	<u><u>0.5 %</u></u>	<u><u>(3.7) %</u></u>

**Fort Bend County Municipal Utility District No. 134C**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended May 31,**

	Amounts				
	2015	2014	2013	2012	2011
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 3,029,837	\$ 1,552,835	\$ 995,774	\$ 708,156	\$ 317,612
Penalty and interest	6,480	3,847	2,091	-	-
Interest income	5,677	4,483	3,434	3,802	3,178
Total revenues	<u>3,041,994</u>	<u>1,561,165</u>	<u>1,001,299</u>	<u>711,958</u>	<u>320,790</u>
<b>Expenditures</b>					
Current:					
Professional fees	2,025	1,683	1,775	525	-
Contracted services	66,869	38,679	20,464	16,146	8,726
Other expenditures	525	279	270	238	70
Debt service:					
Principal retirement	245,000	230,000	215,000	90,000	-
Interest and fees	1,442,178	963,026	620,365	533,332	113,593
Total expenditures	<u>1,756,597</u>	<u>1,233,667</u>	<u>857,874</u>	<u>640,241</u>	<u>122,389</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,285,397</u>	<u>327,498</u>	<u>143,425</u>	<u>71,717</u>	<u>198,401</u>
<b>Other Financing Sources</b>					
Interfund transfers in	-	-	-	44,000	-
General obligation bonds issued	335,650	573,538	323,619	-	639,033
Total other financing sources	<u>335,650</u>	<u>573,538</u>	<u>323,619</u>	<u>44,000</u>	<u>639,033</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	1,621,047	901,036	467,044	115,717	837,434
<b>Fund Balance, Beginning of Year</b>	<u>2,321,231</u>	<u>1,420,195</u>	<u>953,151</u>	<u>837,434</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,942,278</u>	<u>\$ 2,321,231</u>	<u>\$ 1,420,195</u>	<u>\$ 953,151</u>	<u>\$ 837,434</u>

**Percent of Fund Total Revenues**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
99.6 %	99.5 %	99.5 %	99.5 %	99.0 %
0.2	0.2	0.2	-	-
<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.5</u>	<u>1.0</u>
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.1	0.1	0.2	0.1	-
2.2	2.5	2.0	2.3	1.2
0.0	0.0	0.0	0.0	1.5
8.0	14.7	21.5	12.6	-
<u>47.4</u>	<u>61.7</u>	<u>62.0</u>	<u>74.9</u>	<u>35.4</u>
<u>57.7</u>	<u>79.0</u>	<u>85.7</u>	<u>89.9</u>	<u>38.1</u>
<u>42.3 %</u>	<u>21.0 %</u>	<u>14.3 %</u>	<u>10.1 %</u>	<u>61.9 %</u>

**Fort Bend County Municipal Utility District No. 134C**  
**Board Members, Key Personnel and Consultants**  
**Year Ended May 31, 2015**

Complete District mailing address:	Fort Bend County Municipal Utility District No. 134C Coats, Rose, Yale, Ryman & Lee, P.C. 9 Greenway Plaza, Suite 1100 Houston, Texas 77046-3653	
District business telephone number:	713.651.0111	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		June 11, 2015
Limit on fees of office that a director may receive during a fiscal year:		\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Theodore Reese	Elected 05/13- 05/17	\$ 2,850	\$ 2,422	President
Keith Faseler	Elected 05/15- 05/19	1,650	75	Vice President
James (Ed) Highfill	Elected 05/15- 05/19	1,800	381	Secretary
David Standefer	Elected 05/15- 05/19	1,650	187	Assistant Vice President
Tracy Butcher	Appointed 05/13- 05/17	3,000	2,490	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 134C**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended May 31, 2015**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
BKD, LLP	04/28/09	\$ 39,500	Auditor
Coats, Rose, Yale, Ryman & Lee, P.C.	08/29/07	364,613	Attorney
First Southwest Company	10/25/10	228,417	Financial Advisor
Fort Bend Central Appraisal District	08/29/07	20,591	Appraiser
LJA Engineering & Surveying, Inc.	08/29/07	90,532	Engineer
Cindy A. Schmidt	08/29/07	16,956	Bookkeeper
Patsy Schultz	06/23/08	46,440	Tax Assessor/ Collector
Severn Trent Services	05/01/12	851,906	Operator
<b>Investment Officer</b>			
Cindy A. Schmidt	08/29/07	N/A	Bookkeeper