

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55  
(Brazoria County, Texas)**

**PRELIMINARY OFFICIAL STATEMENT  
DATED: OCTOBER 13, 2016**

**\$2,500,000  
UNLIMITED TAX ROAD BONDS  
SERIES 2016**

**BIDS TO BE SUBMITTED: 9:30 A.M., CENTRAL TIME  
THURSDAY, NOVEMBER 10, 2016**

**BIDS TO BE AWARDED: 10:30 A.M., CENTRAL TIME  
THURSDAY, NOVEMBER 10, 2016**



Financial Advisor

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 13, 2016**

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

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

***The Bonds will be designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."***

**NEW ISSUE – Book-Entry-Only**

**NOT RATED**

**\$2,500,000**

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55**

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

**UNLIMITED TAX ROAD BONDS, SERIES 2016**

**Dated: December 1, 2016**

**Due: September 1, as shown below**

The \$2,500,000 Brazoria County Municipal Utility District No. 55 Unlimited Tax Road Bonds, Series 2016 (the "Bonds") are obligations of Brazoria County Municipal Utility District No. 55 (the "District") and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Amegy Bank, a division of ZB, N.A., in Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from December 1, 2016, and is payable March 1, 2017, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denomination of \$5,000 or any integral multiple thereof.

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

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

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. ____ (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. ____ (b)
2018	\$65,000	___%	___%	___	2030(c)	\$100,000	___%	___%	___
2019	70,000	___%	___%	___	2031(c)	105,000	___%	___%	___
2020	70,000	___%	___%	___	2032(c)	110,000	___%	___%	___
2021	75,000	___%	___%	___	2033(c)	115,000	___%	___%	___
2022	75,000	___%	___%	___	2034(c)	120,000	___%	___%	___
2023	80,000	___%	___%	___	2035(c)	125,000	___%	___%	___
2024	80,000	___%	___%	___	2036(c)	130,000	___%	___%	___
2025(c)	85,000	___%	___%	___	2037(c)	135,000	___%	___%	___
2026(c)	90,000	___%	___%	___	2038(c)	135,000	___%	___%	___
2027(c)	90,000	___%	___%	___	2039(c)	145,000	___%	___%	___
2028(c)	95,000	___%	___%	___	2040(c)	150,000	___%	___%	___
2029(c)	100,000	___%	___%	___	2041(c)	155,000	___%	___%	___

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

The Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system (the "Road System") to serve the District. The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any entity other than the District. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds is expected on or about December 13, 2016.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission ("SEC"), as amended, and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the District 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 information permitted by SEC Rule 15c2-12.*

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Bonds shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in SEC 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 representations must not be relied upon as having been authorized by the District or the Initial Purchaser.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel (hereinafter defined), for further information.

The Financial Advisor (hereinafter defined) has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility 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.

This Official Statement is not to be used in connection with 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.

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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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## **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Brazoria County Municipal Utility District No. 55 (the "District") of its \$2,500,000 Unlimited Tax Road Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; and an election held within the District and passed by a majority of the participating voters.

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

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by \_\_\_\_\_ (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" 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 of the Texas Government Code.

### **Prices and Marketability**

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

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

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

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

### **Securities Laws**

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

## **MUNICIPAL BOND RATING AND INSURANCE**

The District has not made an application for either a commitment for municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore it is not expected that the District would have been successful in receiving municipal bond insurance or an investment-grade rating on the Bonds.

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	Brazoria County Municipal Utility District No. 55 (the "District"), a political subdivision of the State of Texas, is located wholly in Brazoria County, Texas, and the city limits of the City of Iowa Colony, Texas. See "THE DISTRICT."
The Issue .....	\$2,500,000 Brazoria County Municipal Utility District No. 55 Unlimited Tax Road Bonds, Series 2016 (the "Bonds"), are dated December 1, 2016. Interest accrues from December 1, 2016, at the rates set forth on the cover page hereof, and is payable March 1, 2017, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature serially on September 1 in each year 2018 through 2041, both inclusive, in the principal amounts set forth on the cover page. Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS."
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Amegy Bank, a division of ZB, N.A. (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment .....	The Bonds are payable from a continuing, direct, and annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Brazoria County, Texas; the City of Iowa Colony, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."
Use of Proceeds .....	Proceeds of the sale of the Bonds will be used by the District to (i) finance road construction and related land costs; (ii) pay engineering fees related to item (i); (iii) pay interest on funds advanced on the District's behalf by the Developer (hereinafter defined); and (iv) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Qualified Tax-Exempt Obligations .....	The Bonds will be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Insurance and Rating .....	The District has not made an application for either a commitment for municipal bond guaranty insurance or a municipal bond rating on the Bonds. Furthermore, it is not expected that the District would have been successful in receiving municipal bond insurance or an investment grade rating on the Bonds.
Payment Record.....	The Bonds constitute the first issuance of bonded indebtedness by the District.
Authority for Issuance.....	The Bonds are the first series of bonds issued out of an aggregate of \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a road system

and refunding to serve the District. Following the issuance of the Bonds, \$35,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system and refunding will remain authorized but unissued. The District's voters have also authorized the issuance of \$110,360,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and storm water drainage facilities and refunding and \$41,170,000 principal amount of unlimited tax bonds for parks and recreational improvements and refunding purposes. The Bonds are issued pursuant to a resolution authorizing the issuance of the Bonds approved by the District's Board of Directors (the "Bond Resolution"), Chapters 49 and 54, Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas. See "THE BONDS – Authority for Issuance."

Legal Opinion ..... Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel").  
See "LEGAL MATTERS."  
Financial Advisor ..... Robert W. Baird & Co. Incorporated, Houston, Texas ("Financial Advisor").  
Disclosure Counsel ..... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

#### **THE DISTRICT**

Description ..... The District is a political subdivision of the State of Texas, located approximately 22 miles south of the central business district of Houston, Texas. The District lies entirely within the corporate limits of the City of Iowa Colony, Texas. The District is a municipal utility district created by an order of the Texas Commission on Environmental Quality ("TCEQ") effective August 16, 2007. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and other statutes of Texas applicable to municipal utility districts. The District consists of approximately 928.425 acres. See "THE DISTRICT."

Development within the District ..... The District is one of three municipal utility districts that make up the approximately 3,000-acre master-planned community known as Meridiana. To date, approximately 144.67 acres within the District have been developed as the residential subdivision of Meridiana, Phase 1, Sections 1–7 (443 lots). In addition, approximately 13.395 acres have been developed as Meridiana Elementary School.

As of October 1, 2016, the District was composed of 51 completed homes, 46 homes under construction, and approximately 346 vacant developed lots. The remaining land within the District consists of approximately 686.16 undeveloped but developable acres and approximately 85.20 undevelopable acres consisting of easements, rights of way and greenbelts. See "PRINCIPAL LANDOWNER/DEVELOPER," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."

Developer ..... Land within the District is being developed by Rise Communities, LLC. See "PRINCIPAL LANDOWNER/DEVELOPER," and "DEVELOPMENT OF THE DISTRICT."

Homebuilders Within the District ..... Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Plantation Homes, Ryland Homes, Shea Homes, Taylor Morrison, and Trendmaker Homes. Prices of new homes being constructed in the District range from the \$200,000s – \$400,000s. See "DEVELOPMENT OF THE DISTRICT – Homebuilders Within the District."

#### **RISK FACTORS**

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2016 Certified Assessed Valuation .....	\$ 11,198,835 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Taxable Valuation as of July 15, 2016.....	\$ 35,304,320 (b)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
The Bonds .....	\$ 2,500,000
Estimated Overlapping Debt .....	<u>\$ 995,528 (c)</u>
Total Direct and Estimated Overlapping Debt.....	<u>\$ 3,495,528</u>
Direct Debt Ratios:	
As a percentage of 2016 Certified Assessed Valuation .....	22.32 %
As a percentage of the Estimated Taxable Valuation as of July 15, 2016.....	7.08 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2016 Certified Assessed Valuation .....	31.21 %
As a percentage of the Estimated Taxable Valuation as of July 15, 2016.....	9.90 %
Road Debt Service Fund Balance (as of Delivery of the Bonds) .....	\$140,625 (d)
General Fund Balance (as of August 11, 2016).....	\$114,700
2016 Tax Rate per \$100 of Assessed Taxable Valuation	
Road Debt Service .....	\$0.0000 (e)
Maintenance.....	<u>\$0.8500</u>
Total .....	\$0.8500
Estimated Average Annual Debt Service Requirement on the Bonds (2017-2041) .....	\$156,645
Estimated Maximum Annual Debt Service Requirement on the Bonds (2037) .....	\$162,000
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Estimated Average Annual Debt Service Requirement on the Bonds (2017-2041) at 95% Tax Collections	
Based Upon 2016 Certified Assessed Valuation (\$11,198,835) .....	\$1.48
Based Upon the Estimated Taxable Valuation as of July 15, 2016 (\$35,304,320) .....	\$0.47
Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Estimated Maximum Annual Debt Service Requirement on the Bonds (2037) at 95% Tax Collections	
Based Upon 2016 Certified Assessed Valuation (\$11,198,835) .....	\$1.53
Based Upon the Estimated Taxable Valuation as of July 15, 2016 (\$35,304,320) .....	\$0.49
Number of Single-Family Homes (including 48 under construction) as of October 31, 2016 .....	111 (f)

- (a) As of January 1, 2016, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES."
- (b) As of July 15, 2016, provided by the Appraisal District for information purposes only. Represents new construction within the District as of July 15, 2016. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Represents eighteen months of capitalized interest on the Bonds at an estimated interest rate of 3.75% that will be deposited into the Road Debt Service Fund upon delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund.
- (e) The District is authorized to levy separate debt service taxes for road debt and water and sewer debt, both of which are unlimited as to rate or amount. See "THE BONDS - Authority for Issuance."
- (f) Approximately 12 homes are occupied. See "DEVELOPMENT OF THE DISTRICT."



**\$2,500,000**  
**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 55**  
**UNLIMITED TAX ROAD BONDS**  
**SERIES 2016**

**INTRODUCTION**

This Official Statement of Brazoria County Municipal Utility District No. 55 (the "District") is provided to furnish information with respect to the issuance by the District of its \$2,500,000 Unlimited Tax Road Bonds, Series 2016 (the "Bonds"). The Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, (ii) various elections held within the District, and (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

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

**RISK FACTORS**

**General**

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

**Factors Affecting Taxable Values and Tax Payments**

**Economic Factors:** The rate of development of the District is directly related to the vitality of the residential housing industry in the Houston metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

**Principal Landowner/Developer:** There is no commitment by or legal requirement of the principal landowner/developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNER/DEVELOPER" and "TAX DATA - Principal Taxpayers."

**Dependence on Principal Taxpayers:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA - Principal Taxpayers," the District's principal taxpayers in 2016 owned property located within the District the aggregate assessed valuation of which comprised approximately 99.982% of the District's total 2016 Certified Assessed Valuation. GR-M1 LTD (the "Developer"), the District's top taxpayer, owns approximately 79.348% of the District's 2016 taxable value. In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the

Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

**Maximum Impact on District Tax Rates:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2016 Certified Assessed Valuation of property located within the District is \$11,198,835 and the Estimated Taxable Valuation as of July 15, 2016, is \$35,304,320 (see "TAX DATA"). After issuance of the Bonds, the estimated maximum annual debt service requirement will be \$162,000 (2037) and the estimated average annual debt service requirement will be \$156,645 (2017–2041). Assuming no decrease to the 2016 Certified Assessed Valuation, tax rates of \$1.53 and \$1.48 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively. Assuming no decrease from the Estimated Taxable Valuation as of July 15, 2016, tax rates of \$0.49 and \$0.47 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the estimated maximum annual debt service requirement and the estimated average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2016, the District anticipates levying a maintenance tax of \$0.850 per \$100 of assessed valuation and will not levy a debt service tax.

### **Competitive Nature of Houston Residential Housing Market**

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

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two (2) years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

## **Marketability**

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

## **Future Debt**

The District has the right to issue the remaining \$35,700,000 in unlimited tax bonds authorized but unissued for roads and the refunding of such bonds; \$110,360,000 unlimited tax bonds authorized but unissued for water, wastewater and storm drainage facilities and the refunding of such bonds; \$41,170,000 unlimited tax bonds authorized but unissued for park and recreational improvements and the refunding of such bonds; and such additional bonds as may hereafter be approved by both the Board and voters of the District (see “THE BONDS – Issuance of Additional Debt”). The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolution. The issuance of such \$110,360,000 in unlimited tax bonds for waterworks, wastewater and drainage facilities and such \$41,170,000 in unlimited tax bonds for parks and recreational improvements are subject to approval by the Texas Commission on Environmental Quality (“TCEQ”).

After the issuance of the Bonds, the District will owe the Developer approximately \$5,772,605 for the existing road facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

After the issuance of the Bonds, the District will owe the Developer approximately \$25,019,287 for the existing wastewater, sewer and drainage facilities, road improvements and park improvements. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

## **Continuing Compliance with Certain Covenants**

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

## **Environmental Regulations**

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

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

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

*Air Quality/Greenhouse Gas Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 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 the EPA’s standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and

other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion (“ppb”) to 70 ppb. This could make it more difficult for the HGB Area to demonstrate progress is reducing ozone concentration.

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

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

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

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

The TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit.

### **Changes in Tax Legislation**

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

## **THE BONDS**

### **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. A copy of the Bond Resolution may be obtained from the District upon written request made to Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The \$2,500,000 Brazoria County Municipal Utility District No. 55 Unlimited Tax Road Bonds, Series 2016, are dated December 1, 2016, with interest payable on March 1, 2017, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully registered serial bonds maturing on September 1 of the years shown on the cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Amegy Bank, a division of ZB, N.A., Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### **Book-Entry-Only System**

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase of each Security ("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 Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in the 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.

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

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

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

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

## **Funds**

The Bond Resolution creates the District's Road Debt Service Fund (the "Debt Service Fund"). Accrued interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Debt Service Fund. The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional tax road bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional road bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional road bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

## **Redemption of the Bonds**

Bonds maturing on September 1, 2025, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

## **Authority for Issuance**

The Bonds are the first series of bonds issued out of an aggregate of \$38,200,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing a road system to serve the District. Following the issuance of the Bonds, \$35,700,000 principal amount of unlimited tax bonds for roads and the refunding of such bonds, \$110,360,000 principal amount of unlimited tax bonds for water, sewer and drainage and the refunding of such bonds, and \$41,170,000 principal amount of unlimited tax bonds for parks and recreational improvements and the refunding of such bonds will remain authorized but unissued.

## **Source of Payment**

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

The Bonds are obligations solely of the District and are not the obligations of the State of Texas, Brazoria County, Texas, the City of Iowa Colony, Texas, or any entity other than the District.

## **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$38,200,000 unlimited tax bonds for roads and the refunding of such bonds and could authorize additional amounts. The District's voters have also authorized \$41,170,000 unlimited tax bonds for parks and recreational facilities and the refunding of such bonds as well as \$110,360,000 unlimited tax bonds for water, wastewater and storm drainage facilities and the refunding of such bonds. The Bonds are the first series of unlimited tax bonds issued by the District for the purpose of constructing roads to serve the District. Following the issuance of the Bonds, \$35,700,000 principal amount of unlimited tax bonds for roads and the refunding of such bonds, \$110,360,000 principal amount of unlimited tax bonds for water, sewer and drainage and the refunding of such bonds, and \$41,170,000 principal amount of unlimited tax bonds for parks and recreational improvements and the refunding of such bonds will remain authorized but unissued. The Bond

Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Following the issuance of the Bonds, the District will owe Developers approximately \$19,246,682 for existing water, wastewater and drainage facilities and road facilities located within the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has adopted neither a fire plan nor called an election for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 3, 2009, the District's voters authorized \$41,170,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance.

### **No Arbitrage**

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

### **Defeasance**

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

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

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



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

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

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

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

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

## **Registered Owners’ Remedies**

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

*[remainder of this page left blank intentionally]*

### Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance road construction and related land costs; (ii) pay engineering fees related to item (i); (iii) pay interest on funds advanced on the District's behalf by the Developer (hereinafter defined); and (iv) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

The construction costs below were compiled by the District's Engineer (hereinafter defined). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

	<u>District's Share</u>
<b>CONSTRUCTION COSTS</b>	
A. Developer Contribution Items	
1. Proposed Bridges Over Detention Basin to Serve Meridiana Parkway, Phase One Bridge	
a. Meridiana Parkway Bridge	\$1,518,818
b. Storm Water Pollution Prevention Plan	15,000
c. Construction Staking	7,500
d. Post Topographic Verification, As-Builts	7,500
e. Construction Permits	30,000
2. Engineering (21.04% of items 1. Above)	332,210
3. Land Acquisition	
a. Discovery Drive Section Two (South) (1.56 acres)	60,311
a.1. Carrying Costs	12,062
a.2. Taxes	<u>8,444</u>
TOTAL CONSTRUCTION COSTS	\$1,991,846
<b>NONCONSTRUCTION COSTS</b>	
A. Legal Fees	\$75,000
B. Fiscal Agent Fees	50,000
C. Engineering Bond Issue Fees	47,000
D. Interest	
1. Capitalized Interest (18 months at 4.00%)	150,000
2. Developer Interest	60,244
D. Bond Discount	75,000
E. Bond Issuance Expense	48,411
F. Attorney General Fee	<u>2,500</u>
TOTAL NONCONSTRUCTION COSTS	\$508,154
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$2,500,000</u></b>

The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## THE DISTRICT

### Authority

The District was created by order of the TCEQ, dated August 16, 2007, and by a confirmation election held within the District on November 6, 2007, and operates under Chapters 49 and 54 of the Texas Water Code and other general laws of the State of Texas applicable to municipal utility districts.

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

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and to construct roads. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

### Description

At the time of the confirmation election, the District encompassed 571.555 acres. The District has since annexed 356.874 acres, and thus the total acreage of the District is now 928.425 acres. The District is located wholly within Brazoria County, Texas, approximately 22 miles south of the Central Business District of the City of Houston, Texas. The District lies approximately 3.5 miles southwest of the intersection of State Highway 6 and Highway 288. The District is located within the corporate city limits of the City of Iowa Colony, Texas.

### Management of the District

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

Name	Title	Term Expires May
Michelle Newman	President	2018
Kristina Jones	Vice President	2018
Houston Hamilton	Secretary	2020
Melissa Lacy	Assistant Secretary	2020
Shirley Bergman	Assistant Vice President	2018

### Investment Policy

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

### Consultants

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

#### Tax Assessor/Collector

The tax assessor/collector for the District is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector").

#### Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc.

**Auditor**

The District engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended March 31, 2016. The District did not request McGrath & Co., PLLC, to perform any updating procedures subsequent to the date of its audit opinion on the March 31, 2016, financial statements.

**Utility System Operator**

The District's water and sewer system is operated by SI Environmental LLC ("SI").

**Engineer**

The District's Engineer is Edminster Hinshaw Russ and Associates, Inc. (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

**Attorney**

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

**Financial Advisor**

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

**SHARED FINANCING AGREEMENT**

On February 15, 2011, the District entered into a Shared Financing Agreement (the "Agreement") with the City of Iowa Colony, Texas (the "City"), Reinvestment Zone Number Two, City of Iowa Colony, Texas (the "TIRZ") and Iowa Colony Development Authority (the "Authority") for the purpose of constructing TIRZ Projects which include various public works and improvements.

The Authority and the District agree to assist the City and the TIRZ in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ projects set out in the Agreement, and will give written notice to the Authority's Board of Directors before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives tax increment, the City will pay such tax increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from tax increment by the Authority ("TIRZ Share") to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date upon the District's issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ Plan or the date that the Developer has been repaid in full for all eligible project costs.

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## DEVELOPMENT OF THE DISTRICT

Approximately 144.67 acres (443 lots) within the District have been developed into the single-family subdivisions Meridiana, Phase 1, Sections 1–7. In addition, 12.395 acres have been developed as Meridiana Elementary School.

As of October 31, 2016, there were 12 completed and occupied homes, 51 completed and unoccupied homes and 48 homes under constructions. There have been 81 home sales by the homebuilders to homeowners of which 12 have closed. The remaining land within the District consists of approximately 686.16 undeveloped but developable acres and approximately 85.20 undevelopable acres consisting of easements, rights of way and greenbelts.

### Status of Development within the District

The following is a status of construction of single-family housing within the District as of October 31, 2016:

<u>Development Area (a)</u>	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Remaining Vacant Developed Lots</u>
Meridiana, Phase 1					
Section 1	21.84	66	11	15	40
Section 2	15.31	32	6	1	25
Section 3	17.13	97	0	0	31
Section 4	26.90	44	16	4	77
Section 5	18.65	31	8	6	30
Section 6	21.06	89	13	9	67
Section 7	<u>23.78</u>	<u>84</u>	<u>9</u>	<u>13</u>	<u>62</u>
	144.67	443	63	48	332
School Acreage	12.40				
Undeveloped but Developable Acreage	686.16				
Undevelopable Acreage	<u>85.20</u>				
Total	<u>928.43</u>				

### Homebuilders within the District

Homebuilders who are active in the District include David Weekley Homes, Highland Homes, Perry Homes, Plantation Homes, Ryland Homes, Shea Homes, Taylor Morrison, and Trendmaker Homes. Prices of new homes being constructed in the District range from the \$200,000s–\$400,000s.

## PRINCIPAL LANDOWNER/DEVELOPER

### Role of the Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developer or its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

A current unaudited balance sheet and unaudited income statement for the Developer is attached hereto as "APPENDIX B."

#### **Principal Landowner/Developer**

GR-M1 LTD was formed for the purpose of acquiring and holding for investment and sale tracts of land, including the land in the District. The Developer has determined the overall development plan for such land in the District and arranged for the construction of water, sanitary sewer and road facilities within the District. GR-M1 LTD is raising equity capital and plans to use equity contributions from various investors to fund the development of Meridiana.

Rise Communities LLC is a developer and manager of master-planned, large-scale communities. In addition to developing Meridiana, Rise Communities LLC is also developing Cane Island, a 745-acre master-planned community located in the City of Katy, Texas.

### **THE SYSTEM**

#### **Regulation**

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Iowa Colony, and Brazoria County. According to the District's Engineer, the design of all such completed facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

#### **Water, Sanitary Sewer and Drainage System**

*Water Supply:* The District owns one water plant. Phase One of the Water Plant consists of a 1,600 gallon-per minute ("gpm") well, 30,000 gallons of hydropneumatic tank capacity, a 520,000 gallon ground storage tank and 1,750 gpm of booster pump capacity. According to EHRA, the District's engineer (the "Engineer"), phase one of the water plant is capable of serving 1,300 equivalent single family connections ("esfc") in the District.

The Ultimate Phase of the Water Plant consists of the addition of 30,000 gallons of hydropneumatic tank capacity and 2,850 gpm of booster pump capacity. According to EHRA, the District's engineer (the "Engineer"), the ultimate phase of the water plant is capable of serving 2,600 equivalent single family connections ("esfc") in the District.

*Wastewater Treatment:* The District owns and operates a 160,000 gallon-per day ("gpd") wastewater treatment facility. According to the Engineer, phase one of the facility is adequate to serve 355 esfc.

The District plans to ultimately expand the plant to a 980,000 gallon-per day ("gpd") wastewater treatment facility. According to the Engineer, the ultimate phase of the facility will be adequate to serve 3,266 esfc.

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

According to the FEMA Map Panel No. 48039 C0110H and FEMA Map Panel No. 48039 C0120H dated June 5, 1989, approximately 663 acres within the District are located in the 100-year flood plain and are not considered to be developable. Approximately 404 acres of flood plain will be filled in connection with future development, and a Letter of Map Revision will be filed to remove it from the flood plain.

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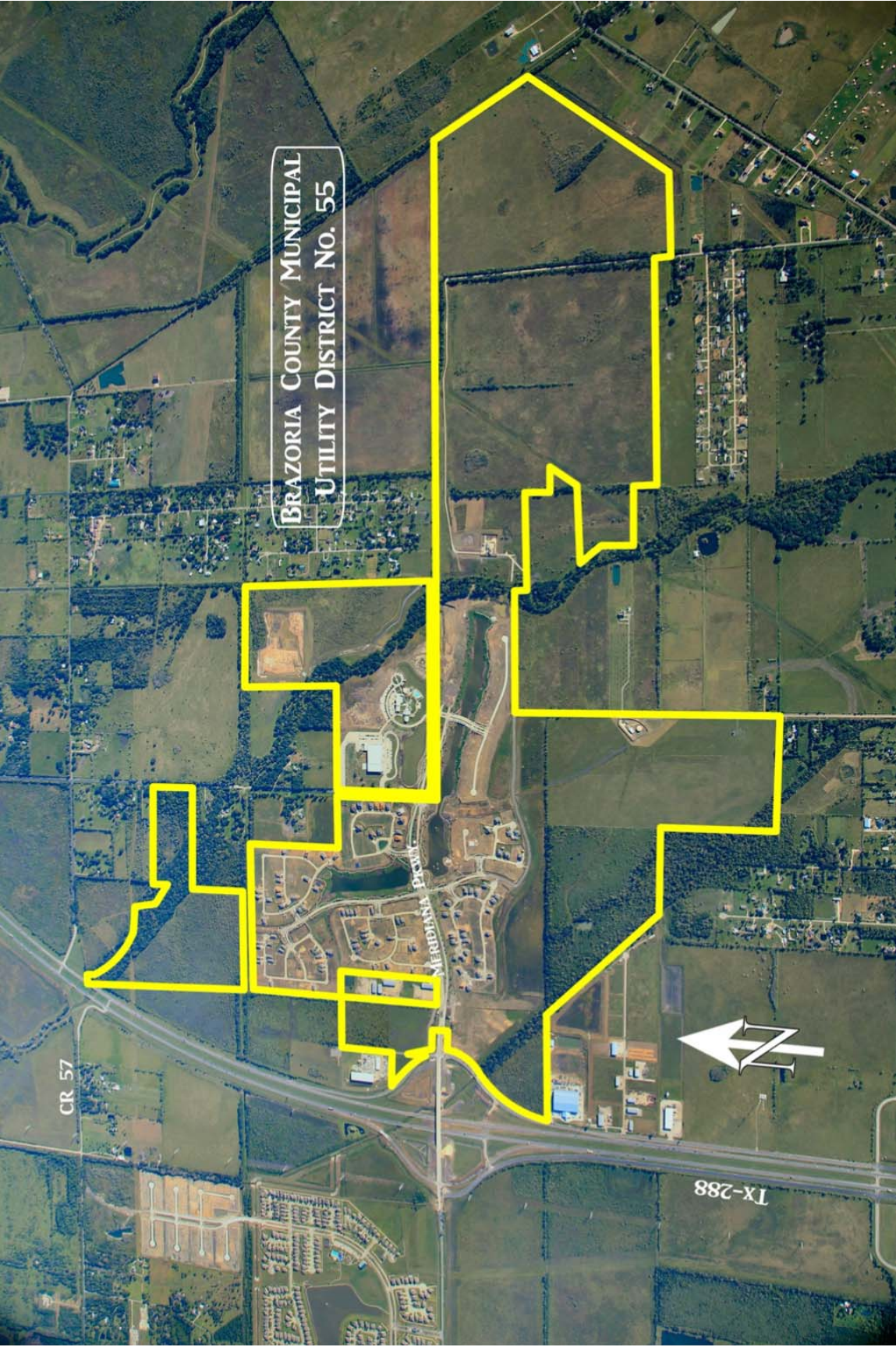
## General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements, and, for the five-month period ended August 31, 2016, an unaudited summary prepared by the District's bookkeeper. Reference is made to such statement for further and more complete information. See "APPENDIX A."

	UNAUDITED <u>08/31/16</u>	AUDITED <u>03/31/16</u>
REVENUES		
Water Service	\$15,917.76	\$690.00
Sewer Service	6,230.42	657.00
Property taxes	-	6,763.00
Penalties and interest	1,767.74	16.00
Tap connection and inspection	141,145.00	43,070.00
Miscellaneous	-	790.00
Investment earnings	<u>93.71</u>	<u>144.00</u>
TOTAL REVENUES	<u>\$165,154.63</u>	<u>\$52,130.00</u>
EXPENDITURES		
Professional fees	\$58,492.36	\$138,681.00
Contracted services	116,824.67	10,581.00
Repairs and maintenance	56,370.24	11,038.00
Lease	39,936.00	39,936.00
Groundwater pumpage fees	-	97.00
Administrative	4,067.96	10,533.00
Other	20,749.82	1,724.00
Capital outlay	-	217,000.00
Depreciation	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$296,441.05</u>	<u>\$429,590.00</u>
Excess Revenues (Expenditures)	(131,286.42)	(377,460.00)
Developer Advances	-	326,624.00
Capital Contribution	5,243.75	353,435.00
Net Change in Fund Balance	<u>(131,286.42)</u>	<u>302,599.00</u>
Balance, Beg of Year	226,890.38	(41,739.00)
Balance, End of Year	<u>\$100,847.71</u>	<u>\$260,860.00</u>



AERIAL PHOTOGRAPH OF THE DISTRICT  
(taken October, 2016)





PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken October, 2016)



## DISTRICT DEBT

### Pro Forma Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements on the principal and estimated interest requirements for the Bonds, assuming the Bonds are issued at an interest rate of 3.75%.

Calendar Year	The Bonds		Total Debt Service
	Principal	Interest	
2017	-	\$ 78,125	\$ 78,125
2018	\$65,000	93,750	158,750
2019	70,000	91,313	161,313
2020	70,000	88,688	158,688
2021	75,000	86,063	161,063
2022	75,000	83,250	158,250
2023	80,000	80,438	160,438
2024	80,000	77,438	157,438
2025	85,000	74,438	159,438
2026	90,000	71,250	161,250
2027	90,000	67,875	157,875
2028	95,000	64,500	159,500
2029	100,000	60,938	160,938
2030	100,000	57,188	157,188
2031	105,000	53,438	158,438
2032	110,000	49,500	159,500
2033	115,000	45,375	160,375
2034	120,000	41,063	161,063
2035	125,000	36,563	161,563
2036	130,000	31,875	161,875
2037	135,000	27,000	162,000
2038	135,000	21,938	156,938
2039	145,000	16,875	161,875
2040	150,000	11,438	161,438
2041	<u>155,000</u>	<u>5,813</u>	<u>160,813</u>
Total	\$2,500,000	\$1,416,125	\$3,916,125
Estimated Average Annual Requirement (2017-2041).....			\$156,645
Estimated Maximum Annual Requirement (2037) .....			\$162,000

**Bonded Indebtedness**

2016 Certified Assessed Valuation.....	\$ 11,198,835 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Taxable Valuation as of July 15, 2016.....	\$ 35,304,320 (b)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt	
The Bonds.....	\$ 2,500,000
Estimated Overlapping Debt.....	<u>\$ 995,528 (c)</u>
Total Direct and Estimated Overlapping Debt .....	<u>\$ 3,495,528</u>
Road Debt Service Fund Balance (as of Delivery of the Bonds) .....	\$140,625 (d)
General Fund Balance (as of August 11, 2016).....	\$114,700
Anticipated 2016 Tax Rate per \$100 of Assessed Taxable Valuation	
Debt Service.....	\$0.000 (e)
Maintenance .....	<u>\$0.850</u>
Total.....	\$0.850
Direct Debt Ratios:	
As a percentage of 2016 Certified Assessed Valuation (\$11,198,835) .....	22.32 %
As a percentage of the Estimated Taxable Valuation as of July 15, 2016 (\$35,304,320).....	7.08 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2016 Certified Assessed Valuation (\$11,198,835) .....	31.21 %
As a percentage of the Estimated Taxable Valuation as of July 15, 2016 (\$35,304,320).....	9.90 %

- (a) As of January 1, 2016, all property located in the District is valued on the appraisal rolls by the Brazoria County Appraisal District at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. See "TAXING PROCEDURES."
- (b) As of July 15, 2016, provided by the Appraisal District for information purposes only. Represents new construction within the District as of July 15, 2016. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Represents one year of capitalized interest on the Bonds at an estimated interest rate of 3.75% that will be deposited into the Road Debt Service Fund upon delivery of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund.
- (e) The District is authorized to levy separate debt service taxes for road debt and water and sewer debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

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## Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of July 31, 2016	Estimated Overlapping	
		Percent	Amount
Brazoria County	\$78,930,000	0.04%	\$34,143
Alvin Independent School District	\$585,390,000	0.16%	\$945,079
Alvin Community College District	\$12,255,000	0.13%	\$16,306
Total Estimated Overlapping Debt			\$995,528
The District			\$2,500,000(a)
Total Direct & Estimated Overlapping Debt			\$3,495,528

(a) The Bonds.

## Debt Ratios

	Percentage of 2016 Assessed Taxable Valuation	Percentage of Estimated Taxable Valuation as of July 15, 2016
Direct Debt	22.32%	7.08%
Direct and Estimated Overlapping Debt	31.21%	9.90%

## TAXING PROCEDURES

### Authority to Levy Taxes

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

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

The Texas Property Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property 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 Brazoria County Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Brazoria County, including the District. Such appraisal values will be subject to review and change by the Brazoria County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

### **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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has never adopted a homestead exemption. See "TAX DATA."

**Freeport Goods and Goods-in-Transit Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if 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 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**

Brazoria County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Brazoria County, the City of Iowa Colony and the District, at the option and discretion of each entity, may enter into tax abatement

agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Brazoria County has not designated any of the area within the District as a reinvestment zone.

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

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

The Property Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

### **District and Taxpayer Remedies**

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent. Personal property incurs an additional 20% penalty on or after April 1 of the year in which the taxes became delinquent and real property incurs such additional penalty on July 1 of the year in which the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The

Property 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 tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service tax rate cannot be changed by a rollback election.

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

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

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

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "RISK FACTORS"). The District anticipates levying a maintenance tax of \$0.850 per \$100 of assessed valuation and will not levy a debt service tax for the 2016 tax year.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 assessed taxable valuation.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. See "Tax Rate Distribution" below.

### **Additional Penalties**

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

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2016 Certified Assessed Valuation (\$11,198,835) or the Estimated Taxable Valuation as of July 15, 2016 (\$35,304,320). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Estimated Average Annual Debt Service Requirement (2017-2041).....	\$156,645
Tax Rate of \$1.48 on the 2016 Certified Assessed Valuation produces .....	\$157,456
Tax Rate of \$0.47 on the Estimated Taxable Valuation as of July 15, 2016, produces.....	\$157,634
Estimated Maximum Annual Debt Service Requirement (2037) .....	\$162,000
Tax Rate of \$1.53 on the 2016 Certified Assessed Valuation produces .....	\$162,775
Tax Rate of \$0.49 on the Estimated Taxable Valuation as of July 15, 2016, produces.....	\$164,342

## Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2016 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdictions</u>	<u>2016 Tax Rate Per \$100 of A.V.</u>
The District	\$0.800000
City of Iowa Colony	0.444372
Brazoria County Drainage District No. 5	0.171667
Brazoria County Emergency Services District No. 3	0.094744
Brazoria County (a)	0.419300
Alvin Community College	0.191700
Port Freeport	0.040100
Alvin Independent School District	1.450000
Total Tax Rate	<u>\$3.611883</u>

(a) Includes Road & Bridge Fund.

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

## Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate Per \$100 (a)	Adjusted Levy	% of Collections Current Year	For the Current Year Ended September 30	% of Collections as of 07/31/2016
2014	\$787,621	\$1.0000	\$7,876	100.00%	2015	100.00%
2015	\$845,389	\$0.8000	\$6,763	100.00%	2016	100.00%

(a) See "Tax Rate Distribution" below.

## Tax Rate Distribution

	2016	2015	2014
Debt Service	\$0.0000	\$0.0000	\$0.0000
Maintenance	<u>\$0.8500</u>	<u>\$0.8000</u>	<u>\$1.0000</u>
	<u>\$0.8500</u>	<u>\$0.8000</u>	<u>\$1.0000</u>



**Assessed Taxable Valuation Summary**

The following represents the type of property comprising the 2014–2016 tax rolls as certified by the Appraisal District.

Type of Property	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation	2014 Assessed Taxable Valuation
Land	\$13,302,124	\$4,444,577	\$3,394,158
Improvements	0	0	260,570
Personal Property	17,790	0	0
Exemptions	<u>(2,121,079)</u>	<u>(3,599,188)</u>	<u>(2,867,107)</u>
Total	\$11,198,835	\$845,389	\$787,621

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2016 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2016 Tax Roll
GR-M1 LTD (a)	Land	\$8,886,045
Highland Homes-Houston LLC	Land	830,160
Taylor Morrison of Texas INC	Land	409,740
Shea Homes Houston	Land	384,140
Perry Homes LLC	Land	278,190
Weekley Homes	Land	388,030
New Action Mobile IND LLC	Personal Property	17,530
Homeowner	Land	1,000
Homeowner	Land	1,000
Homeowner	Land	1,000
Total		<u>11,196,835</u>
% of Respective Tax Roll		99.982%

(a) See “PRINCIPAL LANDOWNER/DEVELOPER.”

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## **LEGAL MATTERS**

### **Legal Opinions**

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

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

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

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

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

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment

company, REIT, REMIC or FASIT), includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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

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

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

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

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the

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

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

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

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

The District will designate the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2016 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2016.

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

### **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material 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 which is customarily prepared by the District and is publicly available, annually to the appropriate state information depository. In addition, the District has agreed to provide information with respect to GR-M1 Ltd (the "Developer"), any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developers and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District's Audited Financial Report), and with respect to the Developer is found in the APPENDIX B (the Developer's Audited Financial Information). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2016. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

### **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; 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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information from EMMA**

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

### **Limitations and Amendments**

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

### **Compliance with Prior Undertakings**

The Bonds are the first issuance of Bonds by the District. The District has not entered into a prior continuing disclosure agreement in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **General**

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein

are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Experts**

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

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

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

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

### **Updating of Official Statement**

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

### **CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Brazoria County Municipal Utility District No. 55 as of the date shown on the first page hereof.

/s/ \_\_\_\_\_  
President, Board of Directors  
Brazoria County Municipal Utility District No. 55

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors  
Brazoria County Municipal Utility District No. 55

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

**BRAZORIA COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 55**

**BRAZORIA COUNTY, TEXAS**

**FINANCIAL REPORT**

**March 31, 2016**





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## Independent Auditors' Report

Board of Directors  
Brazoria County Municipal Utility District No. 55  
Brazoria County, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Brazoria County Municipal Utility District No. 55, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
Brazoria County Municipal Utility District No. 55  
Brazoria County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of Brazoria County Municipal Utility District No. 55, as of March 31, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matters**

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

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

*McGuath & Co, P.C.*

Houston, Texas  
July 14, 2016

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

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***Brazoria County Municipal Utility District No. 55  
Management's Discussion and Analysis  
March 31, 2016***

**Using this Annual Report**

Within this section of the financial report of Brazoria County Municipal Utility District No. 55 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2016. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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



***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2016***

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

**Fund Financial Statements**

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

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

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

The District's net position at March 31, 2016, was negative \$1,294,891. This amount is negative because the District relies on advances from its developer to fund operating costs and incurs debt to construct storm drainage facilities which it conveys to the City of Iowa Colony. A comparative summary of the District's overall financial position, as of March 31, 2016 and 2015, is as follows:

	2016	2015
Current and other assets	\$ 302,264	\$ 13,561
Capital assets	2,389,683	55,300
Total assets	<u>2,691,947</u>	<u>68,861</u>
Current liabilities	41,404	55,300
Long-term liabilities	3,945,434	279,980
Total liabilities	<u>3,986,838</u>	<u>335,280</u>
Net position		
Net investment in capital assets	224,178	55,300
Unrestricted	(1,519,069)	(321,719)
Total net position	<u>\$ (1,294,891)</u>	<u>\$ (266,419)</u>

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2016***

The total net position of the District decreased by \$1,028,472. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	2016	2015
Revenues		
Property taxes, penalties and interest	\$ 6,779	\$ 7,876
Water and sewer service	1,347	
Other	44,004	46
Total revenues	<u>52,130</u>	<u>7,922</u>
Expenses		
Current service operations	212,590	89,010
Depreciation	48,122	
Total expenses	<u>260,712</u>	<u>89,010</u>
Change in net position before other item	(208,582)	(81,088)
Other items		
Capital contribution	353,435	
Transfers to other governments	<u>(1,173,325)</u>	
Change in net position	(1,028,472)	(81,088)
Net position, beginning of year	(266,419)	(185,331)
Net position, end of year	<u><u>\$ (1,294,891)</u></u>	<u><u>\$ (266,419)</u></u>

**Financial Analysis of the District's General Fund**

Fund balance in the District's General Fund, as of March 31, 2016, was \$260,860. A comparative summary of the General Fund's financial position as of March 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	<u><u>\$ 302,264</u></u>	<u><u>\$ 13,561</u></u>
Total liabilities	\$ 41,404	\$ 55,300
Total fund balance	260,860	(41,739)
Total liabilities and fund balance	<u><u>\$ 302,264</u></u>	<u><u>\$ 13,561</u></u>

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2016***

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

	2016	2015
Total revenues	\$ 52,130	7,924
Total expenditures	(429,590)	(144,310)
Revenues under expenditures	(377,460)	(136,386)
Other changes in fund balance	680,059	102,500
Net change in fund balance	\$ 302,599	\$ (33,886)

The District's expenditures exceeded revenues for the current and prior fiscal year. The District relies on advances from its developers to supplement revenue shortfalls. Fund balance in the General Fund is the result of timing differences between developer advances and expenditures for which those advances are intended to fund. During the current year, the District also received a capital contribution from a non-taxable user.

### **General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$352,508 greater than budgeted. The *Budgetary Comparison Schedule* on page 26 of this report provides variance information per financial statement line item.

### **Capital Assets**

Capital assets held by the District at March 31, 2016 are summarized as follows:

	2016	2015
Capital assets not being depreciated		
Construction in progress	\$ 272,300	\$ 55,300
Capital assets being depreciated		
Infrastructure	2,165,505	
Less accumulated depreciation	(48,122)	
Depreciable capital assets, net	2,117,383	
Capital assets, net	\$ 2,389,683	\$ 55,300

During the current year, the District completed construction of water, sewer and drainage facilities to serve Meridiana, Sections 1, 2, 3, 4 and 5.

***Brazoria County Municipal Utility District No. 55***  
***Management's Discussion and Analysis***  
***March 31, 2016***

The District's construction in progress is for inspection fees related to the construction of Meridiana Parkway Phase 1, Detention Basins Phase 1A and Phase 1B, and Meridiana Parkway Bridges.

The City of Iowa Colony assumes responsibility for all storm sewer systems constructed in public streets within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended March 31, 2016, capital assets in the amount of \$1,173,325 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction. As of March 31, 2016, the District owes the developer \$3,338,830 for completed projects. As discussed in Note 5, the District has contractual commitments for ongoing construction projects in the amount of \$32,071,074. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the projects will be recorded on the District's financial statements.

### **Long-Term Debt**

At March 31, 2016, the District had \$110,360,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$41,170,000 for parks and recreational facilities and \$38,200,000 for road improvements.

### **Next Year's Budget**

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

	<u>2016 Actual</u>	<u>2017 Budget</u>
Total revenues	\$ 52,130	\$ 73,150
Total expenditures	<u>(429,590)</u>	<u>(447,292)</u>
Revenues under expenditures	(377,460)	(374,142)
Other changes in fund balance	<u>680,059</u>	<u>202,500</u>
Net change in fund balance	302,599	(171,642)
Beginning fund balance	<u>(41,739)</u>	<u>260,860</u>
Ending fund balance	<u><u>\$ 260,860</u></u>	<u><u>\$ 89,218</u></u>

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## **Basic Financial Statements**

***Brazoria County Municipal Utility District No. 55***  
***Statement of Net Position and Governmental Fund Balance Sheet***  
***March 31, 2016***

	General Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash	\$ 270,382	\$ -	\$ 270,382
Customer service receivables	4,339		4,339
Prepaid items	27,543		27,543
Capital assets not being depreciated		272,300	272,300
Capital assets, net		2,117,383	2,117,383
Total Assets	<u>\$ 302,264</u>	<u>2,389,683</u>	<u>2,691,947</u>
<b>Liabilities</b>			
Accounts payable	\$ 24,184		24,184
Customer deposits	13,350		13,350
Unearned revenue	3,870		3,870
Due to developer		3,945,434	3,945,434
Total Liabilities	<u>41,404</u>	<u>3,945,434</u>	<u>3,986,838</u>
<b>Fund Balance/Net Position</b>			
<b>Fund Balance</b>			
Nonspendable	27,543	(27,543)	
Unassigned	233,317	(233,317)	
Total Fund Balance	<u>260,860</u>	<u>(260,860)</u>	
Total Liabilities and Fund Balance	<u>\$ 302,264</u>		
<b>Net Position</b>			
Net investment in capital assets		224,178	224,178
Unrestricted		(1,519,069)	(1,519,069)
Total Net Position		<u>\$ (1,294,891)</u>	<u>\$ (1,294,891)</u>
See notes to basic financial statements.			

***Brazoria County Municipal Utility District No. 55  
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended March 31, 2016***

	General Fund	Adjustments	Statement of Activities
<b>Revenues</b>			
Water service	\$ 690	\$ -	\$ 690
Sewer service	657		657
Property taxes	6,763		6,763
Penalties and interest	16		16
Tap connection and inspection	43,070		43,070
Miscellaneous	790		790
Investment earnings	144		144
Total Revenues	<u>52,130</u>	<u></u>	<u>52,130</u>
<b>Expenditures/Expenses</b>			
Current service operations			
Professional fees	138,681		138,681
Contracted services	10,581		10,581
Repairs and maintenance	11,038		11,038
Lease	39,936		39,936
Groundwater pumpage fees	97		97
Administrative	10,533		10,533
Other	1,724		1,724
Capital outlay	217,000	(217,000)	
Depreciation		48,122	48,122
Total Expenditures/Expenses	<u>429,590</u>	<u>(168,878)</u>	<u>260,712</u>
<b>Revenues Under Expenditures</b>	(377,460)	168,878	(208,582)
<b>Other Financing Sources</b>			
Developer advances	326,624	(326,624)	
<b>Other Items</b>			
Capital contribution	353,435		353,435
Transfers to other governments		(1,173,325)	(1,173,325)
<b>Net Change in Fund Balance</b>	302,599	(302,599)	
<b>Change in Net Position</b>		(1,028,472)	(1,028,472)
Fund Balance/Net Position			
Beginning of the year	(41,739)	(224,680)	(266,419)
<b>End of the year</b>	<u>\$ 260,860</u>	<u>\$ (1,555,751)</u>	<u>\$ (1,294,891)</u>

See notes to basic financial statements.



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

The accounting policies of Brazoria County Municipal Utility District No. 55 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

### **Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 16, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 28, 2007.

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

### **Reporting Entity**

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

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

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District’s principal revenue sources are Tap connection and inspection revenues and Capital contributions. Expenditures include costs associated with the daily operations of the District.

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

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

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

**Measurement Focus and Basis of Accounting**

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include income from District operations. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At March 31, 2016, an allowance for uncollectible accounts was not considered necessary.

**Capital Assets**

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

***Brazoria County Municipal Utility District No. 55***  
***Notes to Basic Financial Statements***  
***March 31, 2016***

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

**Capital Assets (continued)**

Capital assets, which primarily consist of water and wastewater facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years

**Fund Balances – Governmental Fund**

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

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

Unassigned - all other spendable amounts in the General Fund.

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

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

**Use of Estimates**

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

***Brazoria County Municipal Utility District No. 55***  
***Notes to Basic Financial Statements***  
***March 31, 2016***

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

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

Total fund balance, governmental fund	\$ 260,860
---------------------------------------	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 2,437,805	
Less accumulated depreciation	<u>(48,122)</u>	
Change due to capital assets		2,389,683

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(3,945,434)
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Total net position - governmental activities	<u><u>\$ (1,294,891)</u></u>
--	------------------------------

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

Net change in fund balance - total governmental fund	\$ 302,599
--	------------

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

Capital outlays	\$ 217,000	
Depreciation expense	<u>(48,122)</u>	
		168,878

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(326,624)
--	-----------

The District conveys storm drainage facilities to the City of Iowa Colony upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(1,173,325)
--	-------------

Change in net position of governmental activities	<u><u>\$ (1,028,472)</u></u>
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### **Note 3 – Deposits and Investments**

#### **Deposit Custodial Credit Risk**

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

#### **Investments**

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

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

***Brazoria County Municipal Utility District No. 55***  
***Notes to Basic Financial Statements***  
***March 31, 2016***

**Note 4 – Capital Assets**

As of March 31, 2016, the District's capital assets consisted of the following:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Construction in progress	\$ 55,300	\$ 217,000	\$ 272,300
Capital assets being depreciated			
Infrastructure		2,165,505	\$ 2,165,505
Less accumulated depreciation		(48,122)	(48,122)
Subtotal depreciable capital assets, net		2,117,383	2,117,383
Capital assets, net	\$ 55,300	\$ 2,334,383	\$ 2,389,683

Depreciation expense for the current year was \$48,122.

**Note 5 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage, roads, and parks and recreational facilities. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ. The District does not record the capital asset and related liability on the government wide statements until construction of the facilities is complete. The District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 279,980
Developer funded construction	3,338,830
Operating advances from developer	326,624
Due to developer, end of year	<u>\$ 3,945,434</u>



***Brazoria County Municipal Utility District No. 55***  
***Notes to Basic Financial Statements***  
***March 31, 2016***

**Note 5 – Due to Developer (continued)**

In addition, the District will owe the developer approximately \$32,071,074, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and audited by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Water supply and storage facility	\$ 3,099,823	\$ 2,191,860	\$ 907,963
Interim wastewater treatment plant - 0.16 MGD	1,875,668	1,527,033	348,635
Detention basins and earthwork phase 1A, and outfalls to Chocolate Bayou and traffic detour plan	3,710,910	2,746,014	964,896
Detention and earthwork for phase 1B of the Westfork Chocolate Bayou	2,966,708	1,214,997	1,751,711
Meridiana Parkway, phase 1 bridge	1,499,504	870,475	629,029
Utilities to serve Meridiana Parkway, phase 1 and Discover Drive south of Meridiana Parkway and connector road	5,139,361	3,898,008	1,241,353
Utilities to serve Discovery Drive, north	1,044,499	790,005	254,494
Utilities to serve Meridiana, sections 6 and 7	1,686,399	1,182,698	503,701
Landscaping and amenities to serve Meridiana open space North	3,430,717	464,915	2,965,802
Landscaping and amenities to serve Meridiana open space South	4,595,562	115,875	4,479,687
Landscaping and amenities to serve Meridiana Parkway, phase 1	2,331,040	438,007	1,893,033
Iowa Colony Boulevard, north of Parkway Colony Boulevard	690,883		690,883
	<u>\$ 32,071,074</u>	<u>\$ 15,439,887</u>	<u>\$ 16,631,187</u>

**Note 6 – Long-Term Debt**

At March 31, 2016, the District had authorized but unissued bonds in the amount of \$110,360,000 for water, sewer and drainage facilities; \$41,170,000 for park and recreational facilities; and \$38,200,000 for road improvements.

**Note 7 – Property Taxes**

On November 6, 2007, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. Additionally, on May 10, 2008 the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing road maintenance limited to \$0.25 per \$100 of assessed value.

***Brazoria County Municipal Utility District No. 55***  
***Notes to Basic Financial Statements***  
***March 31, 2016***

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

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2016 fiscal year was financed through the 2015 tax levy, pursuant to which the District levied property taxes of \$0.80 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$6,763 on the adjusted taxable value of \$845,389.

**Note 8 – Transfers to Other Governments**

The City of Iowa Colony assumes responsibility for the maintenance of storm sewer systems constructed in public streets. Accordingly, these facilities are considered to be capital assets of the City of Iowa Colony, not the District. For the fiscal year ended March 31, 2016, the District recorded transfers to other governments in the amount of \$1,173,325 for storm sewer systems constructed by the developer within the District.

**Note 9 – Lease Agreement**

On October 14, 2014, the District has entered into an operating lease agreement for a temporary wastewater treatment plant. This lease is for a 60 month term effective January 1, 2016, unless otherwise terminated. The District has the option to extend the lease on a month to month basis following expiration of the term. Total costs for all such leases for the fiscal year ended March 31, 2016 was \$39,936. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment.

Monthly payments for the lease are \$13,312. Future minimum leases payments as of March 31, 2016 for term leases are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 159,744
2018	159,744
2019	159,744
2020	159,744
2021	119,808
	<u><u>\$ 758,784</u></u>

**Note 10 – Shared Facilities Agreement with the City of Iowa Colony**

On February 15, 2011, the District entered into a Shared Financing Agreement (the “Agreement”) with the City of Iowa Colony, Texas (the “City”), Reinvestment Zone Number Two, City of Iowa Colony, Texas (the “Zone”) and Iowa Colony Development Authority (the “Authority”) for the purpose of constructing TIRZ Projects which include various public works and improvements.

The Authority and the District agree to assist the City and the Zone in the implementation of the TIRZ Projects and in the funding, ownership, operation and maintenance of the TIRZ Projects. The District will act as Project Manager for the TIRZ projects set out in the Agreement, and will give written notice to the Authority Board before initiating the design or construction of a TIRZ project for approval. Upon completion of TIRZ Project construction, the project shall be conveyed to the responsible party as stated in the Agreement.

For any year in which the City collects or receives Tax Increment, the City will pay such Tax Increment to the Authority. For any year the Authority receives payments from the City, the amount of Project Costs to be paid from Tax Increment by the Authority (“TIRZ Share”) to the District is the percentage of the actual project costs set out in the Agreement. The District will begin to receive TIRZ Share payments no later than thirty days prior to the fall principal and interest payment date subsequent to the District issuance of bonds.

The term of the Agreement will expire on the later of January 1 in the year following completion of the TIRZ Plan or the date that the Developer has been repaid in full for all eligible project costs.

**Note 11 – Risk Management**

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

**Note 12 – Economic Dependency**

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers’ willingness to make future operating advances and/or to pay property taxes will directly affect the District’s ability to meet its future obligations.

### **Required Supplementary Information**

***Brazoria County Municipal Utility District No. 55***  
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***  
***For the Year Ended March 31, 2016***

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Water service	\$ -	\$ -	\$ 690	\$ 690
Sewer service			657	657
Property taxes			6,763	6,763
Penalties and interest			16	16
Tap connection and inspection			43,070	43,070
Miscellaneous			790	790
Investment earnings			144	144
Total Revenues			52,130	52,130
<b>Expenditures</b>				
Current service operations				
Professional fees	75,000	120,000	138,681	(18,681)
Contracted services	10,000	10,000	10,581	(581)
Repairs and maintenance			11,038	(11,038)
Lease			39,936	(39,936)
Groundwater pumpage fees			97	(97)
Administrative	19,409	19,409	10,533	8,876
Other			1,724	(1,724)
Capital outlay			217,000	(217,000)
Total Expenditures	104,409	149,409	429,590	(280,181)
<b>Revenues Under Expenditures</b>	(104,409)	(149,409)	(377,460)	(228,051)
<b>Other Financing Sources</b>				
Developer advances	99,500	99,500	326,624	227,124
<b>Other Item</b>				
Capital contribution			353,435	353,435
<b>Net Change in Fund Balance</b>	(4,909)	(49,909)	302,599	352,508
<b>Fund Balance</b>				
Beginning of the year	(41,739)	(41,739)	(41,739)	
End of the year	\$ (46,648)	\$ (91,648)	\$ 260,860	\$ 352,508

***Brazoria County Municipal Utility District No. 55***  
***Notes to Required Supplementary Information***  
***March 31, 2016***

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**



**Brazoria County Municipal Utility District No. 55**  
**TSI-1. Services and Rates**  
**March 31, 2016**

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

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

2. Retail Service Providers

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels		
Water:	\$ 32.00	10,000	N	\$ 2.90	10,001	to	20,000
				\$ 3.50	20,001	to	25,000
				\$ 4.40	25,001	to	no limit
Wastewater:	\$ 32.00	10,000	N	\$ 1.50	10,001	to	20,000
				\$ 1.75	20,001	to	25,000
				\$ 2.00	25,001	to	no limit
Surcharge:	\$ 0.03	N		\$ 0.03	1,000	to	no limit

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage:

Water \$ 32.30 Wastewater \$ 32.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	8	8	x 1.0	8
1"	20	20	x 2.5	50
1.5"			x 5.0	
2"	3	3	x 8.0	24
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	31	31		82
Total Wastewater	29	29	x 1.0	29

See accompanying auditor's report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-1. Services and Rates***  
***March 31, 2016***

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

Gallons pumped into system:	<u>9,407,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>162,000</u>	(Gallons billed / Gallons pumped)
		<u>1.72%</u>

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

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

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

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

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

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

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Brazoria County

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

City(ies) in which the District is located: City of Iowa Colony

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

Entirely ☐ Partly ☐ Not at all ☐

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

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

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

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-2 General Fund Expenditures***  
***For the Year Ended March 31, 2016***

Professional fees		
Legal	\$	84,839
Engineering		53,842
		<u>138,681</u>
Contracted services		
Bookkeeping		6,950
Tax assessor collector		3,600
Appraisal District fees		31
		<u>10,581</u>
Repairs and maintenance		<u>11,038</u>
Lease		<u>39,936</u>
Groundwater pumpage fees		<u>97</u>
Administrative		
Directors fees		6,000
Printing and office supplies		660
Insurance		1,752
Other		2,121
		<u>10,533</u>
Other		<u>1,724</u>
Capital outlay		<u>217,000</u>
Total expenditures	\$	<u><u>429,590</u></u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55***  
***TSI-4. Taxes Levied and Receivable***  
***March 31, 2016***

	Maintenance Taxes
2015 Original Tax Levy	\$ 3,898
Adjustments	2,865
Adjusted Tax Levy	6,763
Total to be accounted for	6,763
Tax collections:	
Current year	6,763
Taxes Receivable, End of Year	\$ -

	2015	2014
Property Valuations:		
Land	\$ 4,444,577	\$ 3,394,158
Improvements		260,570
Exemptions	(3,599,188)	(2,867,107)
Total Property Valuations	\$ 845,389	\$ 787,621
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 0.80	\$ 1.00
Adjusted Tax Levy:	\$ 6,763	\$ 7,876
Percentage of Taxes Collected to Taxes Levied **	100%	100%

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 6, 2007

\* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 10, 2008

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

See accompanying auditors' report.

***Brazoria County Municipal Utility District No. 55******TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Years***

	Amounts				
	2016	2015**	2014**	2013**	2012**
Revenues					
Water service	\$ 690	\$ -	\$ -	\$ -	\$ -
Sewer service	657				
Property taxes	6,763	7,876			
Penalties and interest	16				
Tap connection and inspection	43,070				
Miscellaneous	790	30			
Investment earnings	144	17			
Total Revenues	52,130	7,923			
Expenditures					
Current service operations					
Professional fees	138,681	70,821	17,613		7,013
Contracted services	10,581	7,243	3,300		2,750
Repairs and maintenance	11,038				
Lease	39,936				
Groundwater pumpage fees	97				
Administrative	10,533	10,539	5,055		3,805
Other	1,724	408			
Capital outlay	217,000	55,300			
Total Expenditures	429,590	144,311	25,968		13,568
Revenues Under Expenditures	\$ (377,460)	\$ (136,388)	\$ (25,968)	\$ -	\$ (13,568)

\*Percentage is negligible

\*\*Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues				
2016	2015**	2014**	2013**	2012**
1%				
1%				
13%	100%			
*				
83%				
2%	*			
*	*			
100%	100%			
266%	894%	N/A		N/A
20%	91%	N/A		N/A
21%				
77%				
*				
20%	133%	N/A		N/A
3%	5%			
416%	698%			
823%	1821%	N/A		N/A
(723%)	(1,721%)	N/A		N/A

***Brazoria County Municipal Utility District No. 55***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended March 31, 2016***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 12, 2016  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Michelle Newman	5/14 - 5/18	\$ 1,650	\$ 388	President
Kristina Jones	5/14 - 5/18	1,500	310	Vice President
Houston Hamilton	5/12 - 5/16	1,500	272	Secretary
Shirley Bergman	5/14 - 5/18	1,350	286	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 84,839		
Si Environmental, LLC	2015			Operator
Myrtle Cruz	2007	7,502		Bookkeeper
Assessments of the Southwest, Inc.	2007	3,600		Tax Collector
Brazoria County Appraisal District	Legislation	31		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2008			Delinquent Tax Attorney
EHRA Engineering	2007	53,841		Engineer
McGrath & Co., PLLC	Annual			Auditor
Robert W. Baird & Co. Incorporated	2015			Financial Advisor

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

**APPENDIX B**

**UNAUDITED FINANCIAL STATEMENTS OF THE DEVELOPER**



**GR-M1, Ltd**

**Statements of Income**

**Six Months Ended June 30, 2016**

	June 30, 2016
Land Sales	\$ 10,356,422
Advertising Co-Op revenue	379,625
<b>Total revenue</b>	<b>10,736,047</b>
Cost of land sales	6,903,654
Cost of marketing	396,752
<b>Total cost of sales</b>	<b>7,300,406</b>
<b>Gross profit</b>	<b>3,435,641</b>
General and administrative	2,025
<b>Income from operations</b>	<b>3,433,616</b>
Texas franchise tax	4,000
<b>Net income</b>	<b>\$ 3,429,616</b>

**GR-M1, Ltd**

**Balance Sheets**  
**December 31, 2015**

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**Assets**

Cash	\$ 2,056,640
Property under development	105,946,815
Other assets	1,500
Total assets	<u>\$ 108,004,955</u>

**Liabilities and Equity**

Liabilities

Accounts payable	\$ 6,231,289
Credit facility	23,695,564
Builder deposits and other deferred revenue	1,160,253
Total liabilities	<u>31,087,106</u>

Equity

Members' equity	76,917,849
Total liabilities and members' equity	<u>\$ 108,004,955</u>