

OFFICIAL STATEMENT DATED APRIL 30, 2020

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

THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book Entry Only

Rating: Moody's "Aa3"
See "MUNICIPAL BOND RATING" herein.

\$6,620,000
FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 17
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX PARK REFUNDING BONDS
SERIES 2020

Dated: June 1, 2020

Due: March 1, as shown below

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Levee Improvement District No. 17 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Sugar Land or any entity other than the District. Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from June 1, 2020, and is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered 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. See "BOOK-ENTRY-ONLY SYSTEM."

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 320,000	3.000 %	1.600 %	34679U MM1	2030	\$ 430,000 (c)	2.000 %	2.550 %	34679U MW9
2022	330,000	3.000	1.650	34679U MN9	2031	445,000 (c)	2.250	2.650	34679U MX7
2023	345,000	3.000	1.750	34679U MP4	2032	455,000 (c)	2.250	2.750	34679U MY5
2024	360,000	3.000	1.850	34679U MQ2	2033	470,000 (c)	2.500	2.850	34679U MZ2
2025	370,000	3.000	2.000	34679U MR0	2034	510,000 (c)	2.500	2.900	34679U NA6
2026	385,000	2.000	2.100	34679U MS8	2035	980,000 (c)	2.750	2.950	34679U NB4

\$1,220,000 Term Bonds due March 1, 2029 (c), 34679U MV1 (b), 2.000% Interest Rate, 2.400% Yield (a)

- (a) Initial yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from June 1, 2020 to the date fixed for delivery is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on or after March 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or from time-to-time in part, on March 1, 2026 or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property in the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision. The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs in connection with the issuance of the Bonds in order to achieve gross and net present value savings. See "PLAN OF FINANCING."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain other legal matters will be passed upon, on behalf of the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas. Delivery of the Bonds in book entry form through the facilities of the DTC is expected on or about June 5, 2020

RAYMOND JAMES

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP., 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$6,449,966.08 (representing the par amount of the Bonds of \$6,620,000.00, minus a net discount on the Bonds of \$109,846.95, less an Underwriter’s discount of \$60,186.97) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTBREAK (COVID-19)

General...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas and a stay in place order from Fort Bend County. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

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

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition or its ratings (see “MUNICIPAL BOND RATING”). The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outbreak (COVID-19).”

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

General...

The greater Houston area, including Fort Bend County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

Impact on the District...

According to the District’s Engineer, the City of Sugar Land’s water and wastewater system, which serve homes and commercial development within the District, operated throughout the event. In addition, the District’s drainage facilities, including the earthen levee, storm water pump stations, storm water outfall structures, flap gates, detention ponds and all other drainage facilities functioned as designed and sustained no material damage according to the District’s Engineer and Operator. The District is aware of structural flooding to the Dairy Queen and the NTB store along Highway 90A (both located in Fort Bend County Municipal Utility District No. 136 and which are now operational) adjacent to the Bullhead Slough but is not aware of any other structural flooding. See THE SYSTEM—Flood Protection” and “—Flooding Due to Levee Breach or Overtopping.”

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events."

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Fort Bend County Commissioners Court, adopted on July 9, 2002, and operates pursuant to Chapters 49 and 57 of the Texas Water Code. The District contains approximately 2,331 acres of land. See "THE DISTRICT."
<i>Location...</i>	The District is located approximately 22 miles southwest of the central downtown business district of the City of Houston and lies wholly within the corporate boundaries of the City of Sugar Land. The District is also located within the boundaries of the Fort Bend Independent School District. Access to the District is provided by U.S. Highway 59 (Interstate 69) to University Boulevard. See "THE DISTRICT."
<i>District Purpose...</i>	The District was created to construct and operate levee and drainage improvements and public recreation related improvements to serve the land within the boundaries of the District. See "THE SYSTEM—Flood Protection."
<i>Telfair...</i>	<p>The District includes within its boundaries the 2,018 acre master-planned community of Telfair. Approximately 2,839 single-family residential lots have been constructed in Telfair, all of which are within the boundaries of the District. The Houston Museum of Natural Science's Sugar Land branch is located in a 43,000 square-foot historic building located in Telfair in the District.</p> <p>Recreational amenities within Telfair include a 2,200 square-foot meeting complex and central sales office, a lake system, a greenbelt system, over five miles of landscaped trails, eleven neighborhood parks (each with open space and playground) and two recreational pools, a sand volleyball court and a playground. Some of said amenities are public and are owned and maintained by the District.</p>
<i>The Developer...</i>	NNP-Telfair, LLC ("NNP-Telfair" or the "Developer"), a Texas limited liability company, is the developer of Telfair. Residential development within Telfair is complete and commercial development is nearing completion. See "THE DEVELOPER."
<i>Status of Development...</i>	<p>Single-family development consisting of 2,839 lots located on approximately 943 acres has been completed. Homes have been constructed on all of the lots at market values which range from approximately \$275,000 to \$1,000,000. In addition to single-family residential development, Telfair Lofts apartment complex (317 units total) is located on approximately 11 acres within MUD 138.</p> <p>Commercial development within the District includes, The Crossing at Telfair, Section One, which is anchored by a Hilton Garden Inn, with adjacent restaurants, retail, banking and a two story office/retail building; The Crossing at Telfair, Section Two which includes two auto repair facilities, fast food outlets, Starbucks, a Goodwill Store, a Young Leaders Child Care and a two story, 21,000 single-family office/retail building; The Crossing at Telfair, Section Three which is anchored by an HEB Grocery Store and adjacent retail and restaurant establishments, and the Crossing at Telfair, Section Four which includes banking, retail, restaurants and fast food with additional acreage for future development. Approximately 30 acres remain for future development in The Crossing at Telfair, Section Four.</p> <p>Development of the 14 acre Museum Square at Telfair commercial development is complete and includes the Telfair Montessori School on approximately 2 acres, four retail centers on a total of approximately 6 acres, Oyster Creek Animal Hospital on approximately 1 acre and a medical office building on approximately 2 acres.</p>

Telfair Central is home to a historic former prison dormitory, which has been repurposed and refurbished with houses. The Houston Museum of Natural Science-Sugar Land, which is tax-exempt, is located within the District on approximately 5 acres. The Telfair Community Association owns Telfair Central Hall, a pool and tennis court facilities located on approximately 7 acres and is also tax exempt. In addition, a Montessori school is located on approximately 2 acres within the development.

The Exchange at Telfair includes the Exchange at Telfair shopping center, Phases I and II, on approximately 19 acres and includes various retail and fast food sites. In addition, two retail buildings have been constructed along Branford Place on approximately 3 acres.

The Telfair East Business Park has been developed on approximately 18 acres and includes three medical office buildings constructed on approximately 8 acres and an assisted living facility constructed on approximately 3 acres.

The Telfair West Business District, totaling approximately 20 acres includes 11 commercial tracts, and includes a two-story medical office building on approximately 1 acre and another medical office building on approximately 2 acres.

University Commons has been constructed on approximately 14 acres and includes an Acura dealership, Sprouts Fresh Market, a Burlington Coat Factory, Michaels, CVS Pharmacy, Amegy Bank., and other retail and food outlets. Adjacent to University Commons is a Costco store located on approximately 16 acres, a Zaxby's restaurant on approximately 1 acre and a multi-tenant retail center on approximately 4 acres.

South of US Interstate 69, the University of Houston has constructed a 57,000 square-foot building and University of Houston, in partnership with Wharton County Junior College, has constructed an additional 145,000 square-foot building, and University of Houston in partnership with Fort Bend County has constructed the University Branch Public Library. The University of Houston has constructed an additional 100,000 square foot classroom facility, all on 75 acres of an approximately 270 acre tract within the District's boundaries which is owned by the University of Houston, all of which is tax-exempt.

East of University Boulevard, Texas Instruments, Inc. has constructed a 3-story, 160,000 square-foot office building on approximately 7 acres within the District. The City of Sugar Land constructed the Smart Financial Centre, a performing arts center, which opened in December 2016 and is tax-exempt. Fluor Enterprises purchased approximately 50 acres but has not yet commenced construction and has indicated it intends to sell the property. An additional approximate 125 acres of commercial tracts within the District are vacant.

Fort Bend Independent School District has constructed an elementary school on an approximately 12 acre site within the boundaries of the District and the James Reese Career and Technical Center on approximately 65 acres. The City of Sugar Land also operates Fire Station No. 7 on approximately 2 acres within the boundaries of the District. The land and improvements owned by the Fort Bend Independent School District and the City of Sugar Land are tax-exempt.

Water and Wastewater Treatment...

The internal water distribution, wastewater collection and storm drainage facilities currently constructed within the boundaries of the District have been constructed by Fort Bend County Municipal Utility District No. 136 ("MUD 136"), Fort Bend County Municipal Utility District No. 137 ("MUD 137"), Fort Bend County Municipal Utility District No. 138 ("MUD 138") and Fort Bend County Municipal Utility District No. 139 ("MUD 139"). Water supply and wastewater treatment for the development within the District's boundaries is provided by facilities owned and operated by the City of Sugar Land. See "WATER, WASTEWATER AND STORM DRAINAGE."

Payment Record...

The District has previously issued five series of unlimited tax levee improvement bonds, four series of unlimited tax park bonds and four series of unlimited tax refunding bonds in the aggregate principal amount of \$108,775,000, of which the District has a total of \$52,155,000 principal amount of bonds outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted in payment on its Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

Future Debt... The District has authorized preparation and filing of a bond application report to the Texas Commission on Environmental Quality (the “TCEQ”) requesting approval to sell \$12,000,000 principal amount of unlimited tax bonds for levee and drainage facilities and \$3,145,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds later in 2020. See “THE BONDS—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE BONDS

Description... \$6,620,000 Unlimited Tax Park Refunding Bonds, Series 2020 (the “Bonds”) mature serially on March 1 in each year 2021 through 2026, both inclusive and 2030 through 2035, both inclusive, and as term bonds on March 1, 2029 (the “Term Bonds”) in the principal amounts set forth on the cover page. Interest accrues from June 1, 2020, at the rates per annum set forth on the cover page hereof, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until stated maturity or prior redemption. The Bonds will be issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the Board (the “Bond Resolution”), in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. See “THE BONDS—Description.”

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

Redemption... Bonds maturing on or after March 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Use of Proceeds... Proceeds from the sale of the Bonds, together with lawfully available debt service funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$6,190,000 of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$45,965,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING.”

Authority for Issuance... The Bonds are the fifth series of bonds issued out of an aggregate of \$62,500,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of refunding outstanding bonds of the District. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

Source of Payment Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of Fort Bend County, the State of Texas, the City of Sugar Land, or any entity other than the District. See “THE BONDS—Source of Payment.”

Municipal Bond Rating... Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa3” to the District. The rating fee of Moody’s will be paid for by the District. See “MUNICIPAL BOND RATING.”

Not Qualified Tax-Exempt Obligations... The Bonds have **not** been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

Bond Counsel... Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”

<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Underwriter's Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds."
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$1,920,671,768 (a)
Estimated Taxable Assessed Valuation as of September 1, 2019	\$1,937,159,402 (b)
Gross Direct Debt Outstanding	\$52,585,000 (c)
Estimated Overlapping Debt	<u>181,368,043 (d)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$233,953,043
Ratios of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation.....	2.74%
Estimated Taxable Assess Valuation as of September 1, 2019	2.71%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Certified Taxable Assessed Valuation.....	12.18%
Estimated Taxable Assessed Valuation.....	12.08%
Debt Service Fund Balance as of April 9, 2020	\$6,382,296 (e)
Operating Funds Available as of April 9, 2020.....	\$21,358,478 (f)
2019 Debt Service Tax Rate.....	\$0.25
2019 Maintenance Tax Rate.....	<u>0.31</u>
2019 Total Tax Rate.....	\$0.56
Average Annual Debt Service Requirement (2021-2035).....	\$4,138,109 (c)
Maximum Debt Service Requirement (2021)	\$4,744,555 (c)
Tax Rates Required to Pay Average Annual Debt Service (2021-2035) at a 95% Collection Rate:	
Based upon 2019 Certified Taxable Assessed Valuation	\$0.23
Based upon Estimated Taxable Assessed Valuation as of September 1, 2019.....	\$0.23
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate:	
Based upon 2019 Certified Taxable Assessed Valuation	\$0.27
Based upon Estimated Taxable Assessed Valuation as of September 1, 2019	\$0.26

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as an estimate of value on September 1, 2019. No tax will be levied on such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Debt Service Requirements."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt—Overlapping Taxes."
- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. Includes \$43,000 which will be applied towards the Bonds.
- (f) The District has plans to fund replacement and rehabilitation of some of the public recreational facilities with a portion of its operating fund balance.

OFFICIAL STATEMENT

\$6,620,000

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 17
(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX PARK REFUNDING BONDS SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Levee Improvement District No. 17 (the “District”) of its \$6,620,000 Unlimited Tax Park Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

PLAN OF FINANCING

Purpose

At an election held on September 10, 2005, voters of the District authorized the issuance of \$125,000,000 principal amount of unlimited tax bonds for the purpose of providing levee and drainage facilities in the District, \$23,000,000 principal amount of unlimited tax bonds for the purpose of providing park and recreational facilities in the District, and \$62,500,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding debt of the District. The District has previously issued \$50,640,000 principal amount of unlimited tax levee improvement bonds in five series, \$19,855,000 principal amount of unlimited tax park bonds in four series, and \$38,280,000 principal amount of unlimited tax refunding bonds in four series. The District currently has \$52,155,000 principal amount of its unlimited tax bonds outstanding (the “Outstanding Bonds”).

The proceeds of the Bonds, together with lawfully available debt service funds, are being used to currently refund \$6,190,000 principal amount of the District’s Unlimited Tax Park Bonds, Series 2011 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds.” A total of \$45,965,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds” and “—Debt Service Requirements.”

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, will be applied to currently refund the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2011</u>
2021	\$ 265,000
2022	275,000
2023	290,000
2024	305,000
2025	320,000
2026	335,000
2027	350,000
2028	370,000
2029	390,000
2030	410,000
2031	430,000
2032	450,000
2033	475,000
2034	525,000
2035	1,000,000
	<u>\$ 6,190,000</u>

Redemption Date: September 1, 2020

Escrow Agreement and Defeasance of Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the “Escrow Agent”).

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other available funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase United States Treasury Obligations or other securities authorized by Chapter 1207 of the Texas Government Code (the “Escrowed Securities”). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, and available debt service funds, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$6,620,000.00
Minus: Net Discount on the Bonds	(109,846.95)
Plus: Transfer from Debt Service Fund	43,000.00
Total Sources of Funds	\$6,553,153.05

Uses of Funds:

Deposit to Redemption Fund.....	\$6,322,511.79
Issuance Expenses and Underwriter’s Discount.....	230,641.26
Total Uses of Funds	\$6,553,153.05

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the “Interest Payment Date”), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on March 1, 2029 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$1,220,000 Term Bond	
Due March 1, 2029	
Mandatory Redemption Date	Principal Amount
2027	\$ 395,000
2028	405,000
2029 (maturity)	420,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after March 1, 2027, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on March 1, 2026, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$62,500,000 principal amount of unlimited tax refunding bonds. The Bonds are being issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 57 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the "Book-Entry-Only" System is discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bonds. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

The District voters have authorized the issuance of \$62,500,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding debt of the District. After issuance of the Bonds, the District will have \$59,315,000 principal amount of unlimited tax refunding bonds authorized but unissued.

The District's voters have authorized the issuance of \$125,000,000 principal amount of unlimited tax bonds for the purpose of providing levee and drainage facilities and could authorize additional amounts. Currently, \$74,360,000 principal amount of unlimited tax bonds for levee and drainage facilities remains authorized but unissued.

The District's voters have authorized \$23,000,000 principal amount of unlimited tax bonds for the purpose of providing and maintenance of parks and recreational facilities, \$3,145,000 principal amount of which remain authorized but unissued. Current state law limits the outstanding principal amount of such bonds to an amount not to exceed one percent of the value of the taxable property in the District.

The District has authorized preparation and filing of a bond application report to the TCEQ requesting approval to sell \$12,000,000 principal amount of unlimited tax bonds for levee and drainage facilities and \$3,145,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds later in 2020. There will be no authorized but unissued park bonds after the sale of the Series 2020 Unlimited Tax Park Bonds. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Prior to the issuance of bonds (except refunding bonds), the District must obtain the approval of the TCEQ. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”
- “(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, 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 the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

TELFAIR

The District encompasses the 2,018 acre master-planned community of Telfair and an additional 270 acres of land, most of which is owned by the University of Houston, that is not within Telfair. Water and wastewater services to Telfair are provided by four municipal utility districts created within its boundaries: Fort Bend County Municipal Utility District No. 136 ("MUD 136"), Fort Bend County Municipal Utility District No. 137 ("MUD 137"), Fort Bend County Municipal Utility District No. 138 ("MUD 138") and Fort Bend County Municipal Utility District No. 139 ("MUD 139"). See "THE SYSTEM—Water Supply and Wastewater Treatment."

The City of Sugar Land has created Tax Increment Reinvestment Zone No. 4 (the "TIRZ"), which overlaps some of the commercial acreage located in Telfair (approximately 714 acres), to induce development of improvements. The TIRZ has no taxing power and any debt financing and related debt service will be paid solely from revenues contributed by participating entities. The District is not a contributing participant in the TIRZ.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by order of the Fort Bend County Commissioners' Court, adopted on July 9, 2002, and operates pursuant to Chapter 49 and 57 of the Texas Water Code. The District contains approximately 2,331 acres of land. See "THE DISTRICT."

The District is a conservation and reclamation district created pursuant to the provisions of Chapter 57, Texas Water Code and Article XVI, Section 59 of the Texas Constitution. The principal functions of the District include constructing and maintaining levees and other improvements on, along and contiguous to rivers, creeks and streams within and adjacent to the District; reclamation of lands within the District from overflow from these streams; the control and distribution of the waters of rivers and streams within and adjacent to the District by straightening and otherwise improving them; the provision of proper drainage and other improvements of the reclaimed land within the District and developing and maintaining public recreational facilities.

Description and Location

The District contains approximately 2,331 acres of land and is located approximately 22 miles southwest of the central downtown business district of the City of Houston and lies wholly within the boundaries of the City of Sugar Land. The District also lies within the boundaries of the Fort Bend Independent School District. Access to the District is provided by U.S. Highway 59 (Interstate 69) to University Boulevard.

Land Use

The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i><u>Single-Family Residential</u></i>		
MUD 137.....	435	1,470
MUD 138.....	390	1,102
MUD 139.....	<u>118</u>	<u>267</u>
<i>Total Single-Family Residential</i>	<u>943</u>	<u>2,839</u>
 <i><u>Commercial</u></i>		
MUD 136.....	101	
MUD 137.....	51	
MUD 138.....	115	
MUD 139.....	<u>108</u>	
<i>Total Commercial</i>	<u>375</u>	
<i>Houston Museum of Natural Science (a)</i>	5	
<i>Schools (a)(b)</i>	77	
<i>Telfair Meeting/Recreational Facilities</i>	72	
<i>University of Houston Tract (a)(c)</i>	270	
<i>City of Sugar Land (a)</i>	39	
<i>Fire Station (a)</i>	2	
<i>Non-Developable (d)</i>	<u>548</u>	
<i>Totals</i>	<u>2,331</u>	

- (a) Tax-exempt property
- (b) Includes an existing elementary school and 65 acres owned by Fort Bend Independent School District.
- (c) The University of Houston owns approximately 270 acres within the boundaries of the District where a 57,000 square-foot University of Houston building has been constructed and a 147,000 square-foot building jointly housing the University of Houston and Wharton County Junior College has been constructed. Such tract is not within Telfair and receives its utility service directly from the City of Sugar Land.
- (d) Includes public rights-of-way, detention, open spaces, easements, recreation and utility sites (including levee related sites).

Status of Development

Single-Family and Multi-Family Residential Development: Single-family residential development on 2,839 lots located on approximately 943 acres has been completed. Homes have been constructed on all of the lots in the District. Homes within the District range in market value from approximately \$275,000 to \$1,000,000. The Telfair Lofts apartment complex (317 units total) is located on approximately 11 acres within MUD 138. See "Land Use" above.

Commercial Development: Commercial development continues throughout the District. The Crossing at Telfair, Section One is anchored by a Hilton Garden Inn, with adjacent restaurants, retail, banking and a two story office/retail building; The Crossing at Telfair, Section Two includes two auto repair facilities, fast food outlets, Starbucks, a Goodwill Store, a Young Leaders Child Care and a two story, 21,000 single-family office/retail building; The Crossing at Telfair, Section Three is anchored by an HEB Grocery Store and adjacent retail and restaurant establishments; and The Crossing at Telfair, Section Four includes has banking, retail, restaurant and fast food with additional acreage for future development. Approximately 30 acres remain for future development in The Crossing at Telfair, Section Four.

Development of the 14 acre Museum Square at Telfair commercial development is complete and includes the Telfair Montessori School on approximately 2 acres, four retail centers on a total of approximately 6 acres, Oyster Creek Animal Hospital on approximately 1 acre and a medical office building on approximately 2 acres.

Telfair Central is home to an historic former prison dormitory which has been repurposed and refurbished. The Houston Museum of Natural Science-Sugar Land, which is a tax-exempt entity, is located within the District on approximately 5 acres. The Telfair Community Association owns Telfair Central Hall, a pool and tennis court facilities located on approximately 7 acres, and is also tax-exempt. In addition, a Montessori school is located on approximately 2 acres within the development.

The Exchange at Telfair includes the Exchange at Telfair shopping center, Phases I and II, on approximately 19 acres and includes various retail sites, fast food establishments, and a gas station. Two retail buildings have been constructed along Branford Place on approximately 3 acres.

The Telfair East Business Park has been constructed on approximately 18 acres and includes three medical office buildings located on approximately 8 acres and an assisted living facility constructed on approximately 3 acres.

The Telfair West Business District, totaling approximately 20 acres includes 11 commercial tracts, and includes a two-story medical office building on approximately 1 acre and another medical office building on approximately 2 acres.

University Commons has been constructed on approximately 14 acres and includes an Acura dealership, Sprouts Fresh Market, a Burlington Coat Factory, Michaels, CVS Pharmacy, Amegy Bank, and other retail and food outlets. Adjacent to University Commons is a Costco store located on approximately 16 acres, a Zaxby's restaurant on approximately 1 acre and a multi-tenant retail center on approximately 4 acres.

South of US Interstate 69, the University of Houston has constructed a 57,000 square-foot building and University of Houston, in partnership with Wharton County Junior College, has constructed an additional 145,000 square-foot building, and University of Houston in partnership with Fort Bend County has constructed the University Branch Public Library. University of Houston has constructed an additional 100,000 square-foot classroom facility, all on 75 acres of an approximately 270 acre tract within the District's boundaries which is owned by the University of Houston, all of which is tax-exempt.

East of University Boulevard, Texas Instruments, Inc. has constructed a 3-story, 160,000 square-foot office building on approximately 7 acres within the District. The City of Sugar Land constructed the Smart Financial Centre, a performing arts center, which opened in December 2016 and is tax-exempt. Fluor Enterprises purchased approximately 50 acres but has not yet commenced construction and has indicated that it intends to sell the property. An additional approximate 125 acres of commercial tracts within the District are vacant.

Fort Bend Independent School District has constructed an elementary school on an approximately 12 acre site within the boundaries of the District and the James Reese Career and Technical Center on approximately 65 acres. The City of Sugar Land also operates Fire Station No. 7 on approximately 2 acres within the boundaries of the District. The land and improvements owned by Fort Bend Independent School District and the City of Sugar Land are tax-exempt. See "TAX DATA—Principal Taxpayers."

Park and Recreational Facilities: Recreational amenities within the District consist of a 2,200 square-foot meeting complex and central management office, a lake system, a greenbelt system, over five miles of landscaped trails, eleven neighborhood parks each with open space and playground and two recreational pools, a sand volley ball court and a playground. Some of the facilities are public and owned by the District; some are private and owned by the Telfair Community Association ("TCA"). The District pays 100% of the maintenance costs of the public facilities, and the District entered into a contract with TCA to manage the maintenance of its park and recreational facilities.

THE DEVELOPER

The Developer

NNP-Telfair, LLC (“NNP-Telfair” or the “Developer”), a Texas limited liability company, is the developer of Telfair. Residential development within Telfair is complete and commercial development is nearing completion. An additional 125 acres within the District are intended for future commercial development.

NNP-Telfair LP

NNP-Telfair was created for the sole purpose of developing Telfair and its only substantial asset consists of the land in Telfair. Development of Telfair is being managed by Newland Real Estate Group, LLC, which is wholly owned by American Newland Communities, L.P., a Delaware limited partnership.

NNP-Telfair is not responsible for or liable for nor has it made any commitment for payment of the Bonds or other obligations of the District. Furthermore, NNP-Telfair has no legal commitment to the District or to owners of the Bonds to continue development of the land within the District and NNP-Telfair may sell or otherwise dispose of its property within the District, or any other assets, at any time. The financial condition of the NNP-Telfair is subject to change at any time.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. The directors are appointed by Commissioners Court of Fort Bend County. Four of the five Board members reside within the District. The current members and officers of the Board along with their titles and term expirations are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David W. Gornet	President	July 9, 2022
Madhukar Adi	Vice President	September 22, 2023
Nh Fook Francis Ming	Secretary	July 9, 2022
Olariche Nkem Diala	Assistant Secretary	January 28, 2024
Nabila Mansoor	Assistant Vice President	September 22, 2023

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The District’s audited financial statement for the fiscal year ended December 31, 2019, was prepared by McGrath & Co., PLLC. See APPENDIX A.

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

Tax Appraisal: The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Tax Tech, Inc. (the “Tax Assessor/Collector”) has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. (the “Bookkeeper”) for bookkeeping services.

THE SYSTEM

Regulation

Construction and operation of the levee and drainage system serving the land in the District as it now exists may be expanded from time to time and is subject to the regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of drainage facilities is also subject to the regulatory authority of the Fort Bend County Drainage District and plans are reviewed and approved by the City of Sugar Land.

Flood Protection

The Federal Emergency Management Agency (“FEMA”) Flood Insurance Rate Maps dated April 2, 2014, indicate that all of the property within the District lies outside the 100-year flood plain of the Brazos River. The District assisted in constructing a perimeter levee system to remove the District from the floodplain.

The District’s levee and drainage system has been designed and constructed to all current standards. However, the levee system does not protect against all flooding scenarios and flooding could occur in the District as a result of 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system, or 3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100- year event. The “100-year event” means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event and current Fort Bend County regulations require an additional 1 foot of height above FEMA minimum requirements. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events.”

Specific Flood Type Risks

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at a flood state of less than the 100-year event. In order to mitigate the risk, the District performs weekly inspections of the levee to observe any visible damage or deterioration of the levee that is in need of repair. Repairs of damage or deterioration are addressed through active maintenance by the District’s Operator and an inspection program by the District Engineer to identify and correct any deficiencies.

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

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

Flooding Due to Levee Breach or Overtopping

According to the District's engineer, the District levee and drainage system has been designed and constructed to all current standards. However, the levee system does not protect against all flooding scenarios. There are at least two instances in which flooding could occur in the District: 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation which has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event.

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. To mitigate the risk, the District performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

Water Supply and Wastewater Treatment

Residents of the District receive water and wastewater treatment service from the City of Sugar Land. Pursuant to agreements between each of MUD 136, MUD 137, MUD 138 and MUD 139 (each individually a "MUD" and collectively, the "MUDs") and the City of Sugar Land (the "Utility Agreement"), the MUDs construct or finance the water, sanitary sewer and storm sewer facilities which are conveyed to the City. The MUDs are within the boundaries of the District. The Utility Agreement provides that each MUD retains a security interest in the Water and Wastewater System to secure the City of Sugar Land's performance under the Utility Agreement until each MUD's bonds have been fully paid, at which time the District will execute a release of such security interest, and the City of Sugar Land will own the Water and Wastewater System unencumbered.

The Utility Agreement further requires each municipal utility district to pay the City of Sugar Land a capital recovery charge (the "City of Sugar Land Connection Charge") to purchase water supply and wastewater treatment capacity in the City of Sugar Land's existing system. The City of Sugar Land Connection Charge is set by the City of Sugar Land and may be amended without consent.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed by either MUD 137, MUD 138, or MUD 139 to serve 2,839 single-family residential lots (approximately 943 acres) in the District. Utilities have also been constructed by MUD 136, MUD 137, MUD 138 and MUD 139 for approximately 200 acres of commercial development with existing vertical improvements (including school and museum sites) and a fire station located on a 2 acre site in MUD 137. The University of Houston and Wharton County Junior College receive their water and sewer service for a 270 acre tract not located within the boundaries of a municipal utility district, directly from the City of Sugar Land. Only MUD 139 has additional water, sanitary sewer and storm water facilities remaining to be financed to serve approximately 29 acres zoned by the City for commercial and mixed-use purposes. See "THE DISTRICT—Land Use."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	\$1,920,671,768	(a)
Estimated Taxable Assessed Valuation as of September 1, 2019.....	\$1,937,159,402	(b)
Gross Direct Debt Outstanding	\$52,585,000	(c)
Estimated Overlapping Debt	181,368,043	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$233,953,043	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	2.74%	
Estimated Taxable Assess Valuation as of September 1, 2019	2.71%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	12.18%	
Estimated Taxable Assessed Valuation.....	12.08%	
Debt Service Fund Balance as of April 9, 2020	\$6,382,296	(e)
Operating Funds Available as of April 9, 2020.....	\$21,358,478	(f)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as an estimate of value on September 1, 2019. No tax will be levied on such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "PLAN OF FINANCING—Debt Service Requirements."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt—Overlapping Taxes."
- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund. Includes \$43,000 which will be applied towards the Bonds.
- (f) The District has plans to fund replacement and rehabilitation of some of the public recreational facilities with a portion of its operating fund balance.

Investments of the District

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

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current amount of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2007	\$ 9,445,000	\$ -	\$ -	\$ -
2008	10,075,000	-	-	-
2008A	14,500,000	-	-	-
2009	11,000,000	440,000	-	440,000
2010	5,620,000	675,000	-	675,000
2011 (a)	7,620,000	6,440,000	6,190,000	250,000
2013 (a)	5,550,000	4,025,000	-	4,025,000
2014 (b)	8,235,000	7,820,000	-	7,820,000
2015 (a)	4,650,000	3,715,000	-	3,715,000
2016 (b)	7,570,000	6,360,000	-	6,360,000
2017 (b)	13,125,000	11,545,000	-	11,545,000
2017 (a)	2,035,000	1,805,000	-	1,805,000
2019 (b)	9,350,000	9,330,000	-	9,330,000
Total	\$ 108,775,000	\$ 52,155,000	\$ 6,190,000	\$ 45,965,000
The Bonds				6,620,000
The Bonds and Remaining Outstanding Bonds				\$ 52,585,000

- (a) Unlimited Tax Park Bonds.
- (b) Unlimited Tax Refunding Bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$6,190,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 3,953,221.25 (a)	\$ 133,731.25		\$ 41,037.50	\$ 41,037.50	\$ 3,860,527.50
2021	4,797,667.50	532,462.50	\$ 320,000	159,350.00	479,350.00	4,744,555.00
2022	4,763,705.00	531,862.50	330,000	149,600.00	479,600.00	4,711,442.50
2023	4,732,855.00	535,862.50	345,000	139,475.00	484,475.00	4,681,467.50
2024	4,701,885.00	539,262.50	360,000	128,900.00	488,900.00	4,651,522.50
2025	4,654,875.00	542,062.50	370,000	117,950.00	487,950.00	4,600,762.50
2026	4,624,350.00	544,262.50	385,000	108,550.00	493,550.00	4,573,637.50
2027	4,574,137.50	545,862.50	395,000	100,750.00	495,750.00	4,524,025.00
2028	4,546,550.00	551,862.50	405,000	92,750.00	497,750.00	4,492,437.50
2029	4,499,162.50	557,062.50	420,000	84,500.00	504,500.00	4,446,600.00
2030	4,453,125.00	560,975.00	430,000	76,000.00	506,000.00	4,398,150.00
2031	4,406,106.26	563,037.50	445,000	66,693.75	511,693.75	4,354,762.51
2032	4,359,706.26	564,225.00	455,000	56,568.75	511,568.75	4,307,050.01
2033	2,971,043.76	568,525.00	470,000	45,575.00	515,575.00	2,918,093.76
2034	2,938,431.26	596,675.00	510,000	33,325.00	543,325.00	2,885,081.26
2035	1,835,575.00	1,047,000.00	980,000	13,475.00	993,475.00	1,782,050.00
Total	\$ 66,812,396.29	\$ 8,914,731	\$ 6,620,000	\$ 1,414,500.00	\$ 8,034,500.00	\$ 65,932,165.04

(a) Excludes the March 1, 2020 debt service payment of \$878,221.

Maximum Annual Debt Service Requirement (2021).....	\$4,744,555
Average Annual Debt Service Requirements (2021-2035).....	\$4,138,109

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding	As of	Overlapping	
	Bonds		Percent	Amount
Fort Bend County	\$ 594,872,527	2/29/2020	2.70%	\$ 16,061,558
Fort Bend MUD No. 136.....	3,895,000	2/29/2020	100.00%	3,895,000
Fort Bend MUD No. 137.....	25,870,000	2/29/2020	100.00%	25,870,000
Fort Bend MUD No. 138.....	36,585,000	2/29/2020	100.00%	36,585,000
Fort Bend MUD No. 139.....	12,490,000	2/29/2020	100.00%	12,490,000
Fort Bend Independent School District.....	1,079,958,767	2/29/2020	4.53%	48,922,132
City of Sugar Land.....	240,155,610	2/29/2020	11.87%	37,544,352
Total Estimated Overlapping Debt.....				\$ 181,368,043
The District's Total Direct Debt (a).....				52,585,000
Total Direct and Estimated Overlapping Debt.....				\$ 233,953,043

Direct Debt and Estimated Overlapping Debt as a Percentage of:

2019 Certified Taxable Assessed Valuation.....	12.18%
Estimated Taxable Assessed Valuation as of September 1, 2019.....	12.95%

(a) After the issuance of the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2019 tax year by all entities overlapping the District and of the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.460000
Fort Bend MUD No. 136 (a).....	0.420000
Fort Bend Independent School District.....	1.270000
City of Sugar Land.....	0.332000
Total Overlapping Tax Rate.....	\$ 2.482000
The District (b).....	0.560000
Total Tax Rate.....	\$ 3.042000

(a) See “INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes.” Represents highest tax rate levied by overlapping MUD Districts.

(b) See “TAX DATA—Debt Service Tax—Maintenance Tax.”

Operating Fund

The following statement sets forth in condensed form, the General Operating Fund, as shown in the District's audited financial statements for the periods ending December 31, 2015 through 2019. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information. See "INVESTMENT CONSIDERATIONS—District Operations."

	Fiscal Year Ended December 31				
	2019	2018	2017	2016	2015
Revenues					
Property Taxes	\$ 5,584,403	\$ 5,486,344	\$ 5,186,019	\$ 5,061,775	\$ 4,172,602
Intergovernmental	181,631	139,335	157,743	202,791	115,728
Interest Earnings	346,310	239,324	74,628	11,229	6,543
FEMA Reimbursement	16,298	-	-	-	-
Other	7,500	7,453	7,500	-	30
Total Revenues	\$ 6,136,142	\$ 5,872,456	\$ 5,425,890	\$ 5,275,795	\$ 4,294,903
Expenditures					
Professional Fees	\$ 344,878	\$ 249,533	\$ 204,221	\$ 168,592	\$ 157,073
Purchased or Contracted Services	109,860	109,519	109,688	109,500	110,160
Repairs and Maintenance	593,041	461,564	496,298	369,999	686,225
Park Maintenance (a)	1,685,708	1,561,949	1,499,854	1,440,740	1,316,632
Utilities	121,102	99,539	112,332	76,274	42,040
Administrative Expenses	52,000	35,437	30,982	21,520	31,097
Capital Outlay	92,796	150,000	-	-	-
Debt Issuance Costs	-	-	-	-	15,908
Developer Interest	-	11,704	-	-	-
Other	21,599	2,088	37,638	645	836
Total Expenditures	\$ 3,020,984	\$ 2,681,333	\$ 2,491,013	\$ 2,187,270	\$ 2,359,971
NET REVENUES	\$ 3,115,158	\$ 3,191,123	\$ 2,934,877	\$ 3,088,525	\$ 1,934,932
Other Financing Sources	\$ -	\$ (3,970)	\$ -	\$ 8,750	\$ 3,526
General Operating Fund	\$ 12,950,607	\$ 9,763,454	\$ 6,828,577	\$ 3,731,302	\$ 1,792,844
Balance (Beginning of Year)					
General Operating Fund	\$ 16,065,765 (b)	\$ 12,950,607	\$ 9,763,454	\$ 6,828,577	\$ 3,731,302
Balance (End of Year)					

(a) In accordance with the current contract with Telfair Community Association, Inc. (TCA), TCA funds the maintenance expense related to park properties owned by TCA. The District pays 100% of the park maintenance expenses of the parks that are District owned.

(b) The District has plans to fund replacement and rehabilitation of some of the public recreational facilities with a portion of its operating fund balance.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution,” “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted September 10, 2005, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation, of which not more than \$0.10 can be used for maintenance of parks. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

Historical Tax Rate Distribution

	2015	2016	2017	2018	2019
Debt Service	\$ 0.310	\$ 0.285	\$ 0.270	\$ 0.270	\$ 0.250
Maintenance and Operations	0.300	0.285	0.300	0.300	0.310
Total	\$ 0.610	\$ 0.570	\$ 0.570	\$ 0.570	\$ 0.560

Tax Exemptions

The District is not currently granting any tax exemptions.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data. See “Tax Roll Information” below.

Tax Year	Certified	Tax Rate	Total Tax Levy(b)	Total Collections as of March 31, 2020	
	Taxable Assessed Valuation(a)			Amount	Percent
2015	\$ 1,693,058,050	\$ 0.610	\$ 10,327,654	\$ 10,323,640	99.96%
2016	1,812,311,201	0.570	10,330,174	10,322,884	99.93%
2017	1,836,948,177	0.570	10,470,605	10,446,585	99.77%
2018	1,881,132,959	0.570	10,722,458	10,686,050	99.66%
2019	1,920,671,768	0.560	10,755,762	10,549,682	98.08%

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
 (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2019. See “TAXING PROCEDURES.” No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data.

Tax Year	Type of Property			Gross Assessed Valuations	Defrements and Exemptions(a)	Net Taxable Assessed Valuations
	Land	Improvements	Personal Property			
2015	\$ 475,522,490	\$ 1,258,911,070	\$ 35,616,350	\$ 1,770,049,910	\$ (76,991,860)	\$ 1,693,058,050
2016	477,957,190	1,375,910,702	39,169,879	1,893,037,771	(80,726,570)	1,812,311,201
2017	497,651,000	1,426,822,219	37,147,700	1,961,620,919	(124,672,742)	1,836,948,177
2018	496,221,890	1,466,582,047	43,122,505	2,005,926,442	(124,793,483)	1,881,132,959
2019	496,007,440	1,550,825,612	51,353,508	2,098,186,560	(177,514,792)	1,920,671,768
9/1/2019 (b)	498,487,210	1,566,687,349	49,443,698	2,114,618,257	(177,458,855)	1,937,159,402

(a) See “TAXING PROCEDURES—Property Subject to Taxation.”

(b) Provided by the Appraisal District as an estimate of value on September 1, 2019. No tax will be levied on such amount until it is certified by the Appraisal District. See “TAXING PROCEDURES.”

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property’s taxable appraised value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$1,920,671,768. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of September 1, 2019, of \$1,937,159,402 is not available from the Appraisal District.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Telfair Lofts Cedros LLC Etal	\$ 38,535,450	2.01%
Texas Instruments Inc.	37,903,100	1.97%
Costco Wholesale Corporation	25,879,860	1.35%
Vista Sugarland Commons Ltd.	20,326,550	1.06%
NNP-Telfair LLC (a)	20,044,920	1.04%
GPI Hospitality Sugarland LLC	18,187,500	0.95%
HEB Grocery Company LP	15,877,400	0.83%
Vista University Drive Ltd.	15,650,000	0.81%
Fluor Enterprises Inc.	13,148,760	0.68%
American Commercial Management LLC	12,045,022	0.63%
Total	\$ 217,598,562	11.33%

(a) See “THE DEVELOPER.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$1,920,671,768 or the Estimated Taxable Assessed Valuation as of September 1, 2019 of \$1,937,159,402. The calculations contained in the following table represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds, when due, assuming no further increase or any decrease in taxable assessed values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2035)	\$4,138,109
\$0.23 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$4,196,668
\$0.23 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2019.....	\$4,232,693
Maximum Annual Debt Service Requirement (2021)	\$4,744,555
\$0.27 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$4,926,523
\$0.26 Tax Rate on Estimated Taxable Assessed Valuation as of September 1, 2019.....	\$4,784,784

No representation or suggestion is made that the uncertified portion of the Estimated Taxable Assessed Valuation as of September 1, 2019, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting

the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

The City of Sugar Land designated part of the area within the District as a reinvestment zone. Fort Bend County, the City of Sugar Land, and Fort Bend County MUD Nos. 138 and 139 contribute revenues into TIRZ #4. Fort Bend County, the District, and the City of Sugar Land, under certain circumstances, 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. The District has not entered into any abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

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

District’s Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser’s deed issued at the foreclosure sale is filed in the county records. See “INVESTMENT CONSIDERATIONS—General” and “—Tax Collections Limitations and Foreclosure Remedies.”

The Effect of FIRREA on Tax Collections of the District

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

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

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outbreak (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order on April 17, 2020, which, among other things, requires Texans to minimize in-person contact with people who are not in the same household unless such people are involved in essential services or essential daily activities and orders the closure of schools throughout the state through the 2019-2020 school year, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Fort Bend County, within which the District is located, has issued a “stay at home” order for most citizens except when engaged in specified essential businesses and government functions effective until April 30, 2020. The District cannot predict whether the county will extend its order or change any conditions of the order. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

Potential Effects of Oil Price Declines on the Houston Area

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

Recent Extreme Weather Events

The greater Houston, including Fort Bend County, area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the District’s Engineer, the City of Sugar Land’s water and wastewater system, which serve homes and commercial development within the District, operated throughout the event. In addition, the District’s drainage facilities, including the earthen levee, storm water pump stations, storm water outfall structures, flap gates, detention ponds and all other drainage facilities functioned as designed and sustained no material damage according to the District’s Engineer and Operator. The District is aware of structural flooding to the Dairy Queen and the NTB store along Highway 90A adjacent to the Bullhead Slough in MUD 136 but is not aware of any other structural flooding and both of those businesses are currently operational. See THE SYSTEM—Flood Protection” and “—Flooding Due to Levee Breach or Overtopping.”

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

River (or Fluvial) Flood occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Ponding (or Pluvial) Flood occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam or levee.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed commercial tracts. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential lots or commercial tracts and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Overlapping Debt and Taxes

Substantially all of the land within the District is currently subject to taxation by one of four municipal utility districts: MUD 136, MUD 137, MUD 138 or MUD 139. For the 2019 tax year MUD 136 levied a rate of \$0.42 per \$100 assessed valuation, MUD 137 levied a rate of \$0.41 per \$100 assessed valuation, MUD 138 levied a rate of \$0.41 per \$100 assessed valuation and MUD 139 levied a rate of \$0.41 per \$100 assessed valuation. Taxes levied by MUD 136, MUD 137, MUD 138 and MUD 139 are in addition to taxes levied by the District. As of the date hereof, MUD 136 has \$3,895,000 principal amount of unlimited tax bonds outstanding, MUD 137 has \$25,870,000 principal amount of unlimited tax bonds outstanding, MUD 138 has \$36,585,000 principal amount of unlimited tax bonds outstanding, and MUD 139 has \$13,045,000 principal amount of unlimited tax bonds outstanding. The District cannot represent whether the appraised valuation of the land located within any of the MUDs will justify payment of the taxes levied by such MUD, as well as District taxes, by property owners. The District intends that its tax rate, in combination with either MUD 136, MUD 137, MUD 138 or MUD 139 and the City of Sugar Land, will not exceed \$1.50 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District, MUD 136, MUD 137, MUD 138, MUD

139 or the City of Sugar Land and to pay operating costs is subject to numerous uncertainties such as the growth of taxable values within their respective boundaries, regulatory approvals, construction costs, interest rates and economic conditions. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates of competing projects in the Harris/Fort Bend County region. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A combined tax rate of \$1.50 (including the City of Sugar Land's tax rate of \$0.332) is higher than the tax levy of many utility districts in the Fort Bend County and Harris County region, although such a combined levy is within the range of levies imposed for similar purposes by certain utility districts in the Fort Bend County and Harris County regions in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Fort Bend County limit the projected "combined total tax rate" attributable to an entity levying a tax for water, wastewater and drainage to \$1.50. In the case of the District, the total "combined tax rate" under current TCEQ rules includes the tax rate of the District in combination with any municipal utility district and the City of Sugar Land. The current "combined tax rate" of the District specifically attributable to water, sewer, drainage and recreational facilities, is consistent with the rules of the TCEQ. If the total "combined tax rate" of the District should ever exceed \$1.50, the District and the municipal utility districts within its boundaries could be prohibited under rules of the TCEQ from selling bonds. See "Maximum Impact on District Tax Rates" above and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes."

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901- 946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters have authorized the issuance of \$125,000,000 principal amount of unlimited tax bonds for levee and drainage facilities, \$62,500,000 principal amount of unlimited tax bonds for refunding purposes, and \$23,000,000 principal amount of unlimited tax bonds for parks and recreational facilities and could authorize additional amounts. After the issuance of the Bonds, \$59,315,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued. In addition, \$74,360,000 principal amount of unlimited tax bonds for levee and drainage facilities remains authorized but unissued, as well as \$3,145,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District has authorized preparation and filing of a bond application report to the TCEQ requesting approval to sell \$12,000,000 principal amount of unlimited tax bonds for levee and drainage facilities and \$3,145,000 principal amount of unlimited tax bonds for parks and recreational facilities. The District expects approval by the TCEQ and the sale of such bonds later in 2020. See "THE BONDS—Issuance of Additional Debt." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

To date, NNP-Telfair has advanced certain funds for recreational facilities for which it has not been reimbursed. The principal amount of bonds for park and recreational facilities that can be sold by the District is limited to 1% of the certified taxable value of the District at any given time. After issuance of the \$3,145,000 principal amount of unlimited tax park bonds as described above, the District will have no remaining authorized but unissued park authorization. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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 Issue. 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—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (“the 1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (“the 2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (“the 2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

The HGB area is currently designated as a severe ozone nonattainment area under the the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ’s “redesignation substitute” for the HGB area under the revoked 1997 Ozone Standards, leaving the HGB area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB area’s economic growth and development.

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

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

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

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has filed for a permitting waiver under the MS4 Permit and is awaiting final approval from the TCEQ. If the waiver is not granted by the TCEQ, the District will need to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

Due to ongoing rulemaking activity, as well as existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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 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.

MUNICIPAL BOND RATING

Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa3” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, without 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 (i) interest on the Bonds is excludable from gross income for federal 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.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “PLAN OF FINANCING—Escrow Agreement and Defeasance of the Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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.

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation 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, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

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

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. The District will further rely on the report of Public Finance Partners LLC, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the 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.

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on 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 Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Not Qualified Tax-Exempt Obligations

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriter

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has agreed to the use of information provided by such firms.

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

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable appraised valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District’s assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

Auditor: The District’s audited financial statements for the year ended December 31, 2019, were prepared by McGrath & Co., PLLC. See “APPENDIX A” for a copy of the District’s December 31, 2019, financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)", except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2020. Any financial statements provided by the District 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 the MSRB within such six month period, and audited financial statements when the audit becomes available.

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

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Fort Bend County Levee Improvement District No. 17, as of the date shown on the cover page.

/s/ David W. Gornet
President, Board of Directors

ATTEST:

/s/ Nh Fook Francis Ming
Secretary, Board of Directors

APPENDIX A

The information contained in this appendix includes the Annual Audit Report of Fort Bend County Levee Improvement District No. 17 and certain supplemental information for the fiscal year ended December 31, 2019.

**FORT BEND COUNTY LEVEE
IMPROVEMENT DISTRICT NO. 17**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2019

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Levee Improvement District No. 17
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 17, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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
Fort Bend County Levee Improvement District No. 17
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Levee Improvement District No. 17, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

WCG & Co, PLLC

Houston, Texas
April 9, 2020

Management's Discussion and Analysis

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***Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019***

Using this Annual Report

Within this section of the financial report of Fort Bend County Levee Improvement District No. 17 (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 December 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2019, was \$12,886,741. A comparative summary of the District's overall financial position, as of December 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 30,006,486	\$ 26,719,467
Capital assets	47,433,496	48,670,110
Total assets	<u>77,439,982</u>	<u>75,389,577</u>
 Total deferred outflows of resources	 <u>2,343,437</u>	 <u>2,258,941</u>
 Current liabilities	 3,896,352	 3,981,346
Long-term liabilities	52,244,152	57,145,330
Total liabilities	<u>56,140,504</u>	<u>61,126,676</u>
 Total deferred inflows of resources	 <u>10,756,174</u>	 <u>10,727,415</u>
 Net position		
Net investment in capital assets	(2,630,312)	(6,053,300)
Restricted	2,342,742	2,009,509
Unrestricted	13,174,311	9,838,218
Total net position	<u>\$ 12,886,741</u>	<u>\$ 5,794,427</u>

**Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019**

The total net position of the District increased during the current fiscal year by \$7,092,314. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	\$ 10,773,352	\$ 10,486,400
Intergovernmental	181,631	139,335
Other	466,432	324,706
Total revenues	<u>11,421,415</u>	<u>10,950,441</u>
Expenses		
Current service operations	3,071,455	2,676,162
Debt interest and fees	2,054,907	2,251,085
Developer interest		11,704
Debt issuance costs	227,634	
Depreciation and amortization	688,931	731,320
Total expenses	<u>6,042,927</u>	<u>5,670,271</u>
Change in net position before other item	5,378,488	5,280,170
Other item		
Change in estimate of due to developer	<u>1,713,826</u>	<u>78,795</u>
Change in net position	7,092,314	5,358,965
Net position, beginning of year	<u>5,794,427</u>	<u>435,462</u>
Net position, end of year	<u>\$ 12,886,741</u>	<u>\$ 5,794,427</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2019, were \$18,830,450, which consists of \$16,065,765 in the General Fund, \$2,744,232 in the Debt Service Fund, and \$20,453 in the Capital Projects Fund.

General Fund

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

	2019	2018
Total assets	<u>\$ 22,321,857</u>	<u>\$ 18,814,243</u>
Total liabilities	\$ 226,737	\$ 192,838
Total deferred inflows	6,029,355	5,670,798
Total fund balance	<u>16,065,765</u>	<u>12,950,607</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 22,321,857</u>	<u>\$ 18,814,243</u>

***Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 6,136,142	\$ 5,872,456
Total expenditures	<u>(3,020,984)</u>	<u>(2,681,333)</u>
Revenues over expenditures	3,115,158	3,191,123
Other changes in fund balance		(3,970)
Net change in fund balance	<u>\$ 3,115,158</u>	<u>\$ 3,187,153</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2018 levy was recognized as revenues in the 2019 fiscal year, while the 2017 levy was recognized in the 2018 fiscal year. Property tax revenues increased from prior year because assessed values increased from prior year.

Debt Service Fund

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 7,664,176</u>	<u>\$ 7,731,781</u>
Total liabilities	\$ 4,255	\$ 9,577
Total deferred inflows	4,915,689	5,117,182
Total fund balance	<u>2,744,232</u>	<u>2,605,022</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 7,664,176</u>	<u>\$ 7,731,781</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 5,156,899	\$ 5,053,775
Total expenditures	<u>(5,287,689)</u>	<u>(5,112,561)</u>
Revenues under expenditures	(130,790)	(58,786)
Other changes in fund balance	270,000	
Net change in fund balance	<u>\$ 139,210</u>	<u>\$ (58,786)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected

**Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019**

cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued \$9,350,000 in refunding bonds to refund \$9,080,000 of its outstanding Series 2009 and Series 2010 bonds. This refunding will save the District \$914,227 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 20,453</u>	<u>\$ 173,443</u>
Total liabilities	\$ -	\$ 152,853
Total fund balance	<u>20,453</u>	<u>20,590</u>
Total liabilities and fund balance	<u><u>\$ 20,453</u></u>	<u><u>\$ 173,443</u></u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	\$ 69	\$ 281
Total expenditures	<u>(206)</u>	<u>(153,221)</u>
Revenues under expenditures	(137)	(152,940)
Other changes in fund balance		3,970
Net change in fund balance	<u><u>\$ (137)</u></u>	<u><u>\$ (148,970)</u></u>

During the current year, the District did not have any significant capital asset activity. During the previous fiscal year, the District used surplus bond proceeds from the Series 2017 and Series 2015 bonds to reimburse the District's developer \$153,221 for certain construction projects.

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 current year to reflect changes in anticipated revenues and 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 \$3,925,381 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers 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.

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

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 34,736,138	\$ 34,736,138
Capital assets being depreciated		
Infrastructure	14,097,113	14,097,113
Other facilities	5,931,910	6,779,701
	<u>20,029,023</u>	<u>20,876,814</u>
Less accumulated depreciation		
Infrastructure	(5,165,101)	(4,831,186)
Other facilities	(2,166,564)	(2,111,656)
	<u>(7,331,665)</u>	<u>(6,942,842)</u>
Depreciable capital assets, net	<u>12,697,358</u>	<u>13,933,972</u>
Capital assets, net	<u>\$ 47,433,496</u>	<u>\$ 48,670,110</u>

Capital asset additions during the current year included public drinking fountains.

During the current year, the District revised its estimate of the amounts due to developer for certain capital assets and adjusted the values of those assets accordingly.

Long-Term Debt and Related Liabilities

As of December 31, 2019, the District owes \$2,967,574 to developers for completed projects. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

**Fort Bend County Levee Improvement District No. 17
Management's Discussion and Analysis
December 31, 2019**

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

Series	2019	2018
2009	\$ 440,000	\$ 7,040,000
2010	675,000	3,820,000
2011 Park	6,440,000	6,680,000
2013 Park	4,025,000	4,280,000
2014 Refunding	7,820,000	7,890,000
2015 Park	3,715,000	3,950,000
2016 Refunding	6,360,000	6,730,000
2017 Refunding	11,545,000	12,565,000
2017 Park	1,805,000	1,920,000
2019 Refunding	9,330,000	
	\$ 52,155,000	\$ 54,875,000

At December 31, 2019, the District had \$74,360,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the levee and drainage systems within the District; \$3,145,000 for parks and recreational facilities; and \$59,745,000 for refunding purposes.

Next Year's Budget

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

	2019 Actual	2020 Budget
Total revenues	\$ 6,136,142	\$ 6,365,325
Total expenditures	(3,020,984)	(6,773,198)
Revenues over/(under) expenditures	3,115,158	(407,873)
Beginning fund balance	12,950,607	16,065,765
Ending fund balance	\$ 16,065,765	\$ 15,657,892

Property Taxes

The District's property tax base increased approximately \$39,601,000 for the 2019 tax year from \$1,881,144,659 to \$1,920,745,298. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.31 per \$100 of assessed value and a debt service tax rate of \$0.25 per \$100 of assessed value, for a total combined tax rate of \$0.56 per \$100. The tax rates for the 2018 tax year were \$0.30 for maintenance taxes and \$0.27 for debt service.

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Basic Financial Statements

Fort Bend County Levee Improvement District No. 17
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 929,587	\$ 3,750,266	\$ 20,453	\$ 4,700,306	\$ -	\$ 4,700,306
Investments	15,341,663	2,594,130		17,935,793		17,935,793
Taxes receivable	4,036,009	3,308,152		7,344,161		7,344,161
Internal balances	2,002,742	(2,002,742)				
Other receivables	11,856	14,370		26,226		26,226
Capital assets not being depreciated					34,736,138	34,736,138
Capital assets, net					12,697,358	12,697,358
Total Assets	\$ 22,321,857	\$ 7,664,176	\$ 20,453	\$ 30,006,486	47,433,496	77,439,982
Deferred Outflows of Resources						
Deferred difference on refunding					2,343,437	2,343,437
Liabilities						
Accounts payable	\$ 182,234	\$ -	\$ -	\$ 182,234		182,234
Other payables	44,503	4,255		48,758		48,758
Accrued interest payable					590,360	590,360
Due to developers					2,967,574	2,967,574
Long-term debt						
Due within one year					3,075,000	3,075,000
Due after one year					49,276,578	49,276,578
Total Liabilities	226,737	4,255		230,992	55,909,512	56,140,504
Deferred Inflows of Resources						
Deferred property taxes	6,029,355	4,915,689		10,945,044	(188,870)	10,756,174
Fund Balances/Net Position						
Fund Balances						
Restricted		2,744,232	20,453	2,764,685	(2,764,685)	
Unassigned	16,065,765			16,065,765	(16,065,765)	
Total Fund Balances	16,065,765	2,744,232	20,453	18,830,450	(18,830,450)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,321,857	\$ 7,664,176	\$ 20,453	\$ 30,006,486		
Net Position						
Net investment in capital assets					(2,630,312)	(2,630,312)
Restricted for debt service					2,342,742	2,342,742
Unrestricted					13,174,311	13,174,311
Total Net Position					\$ 12,886,741	\$ 12,886,741

See notes to basic financial statements.

Fort Bend County Levee Improvement District No. 17

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 5,584,403	\$ 5,025,958	\$ -	\$10,610,361	\$ 95,483	\$ 10,705,844
Penalties and interest		34,686		34,686	32,822	67,508
Intergovernmental	181,631			181,631		181,631
FEMA reimbursement	16,298			16,298		16,298
Miscellaneous	7,500			7,500		7,500
Investment earnings	346,310	96,255	69	442,634		442,634
Total Revenues	6,136,142	5,156,899	69	11,293,110	128,305	11,421,415
Expenditures/Expenses						
Operating and administrative						
Professional fees	344,878		206	345,084		345,084
Contracted services	109,860	130,796		240,656		240,656
Repairs and maintenance	593,041			593,041		593,041
Park maintenance	1,685,708			1,685,708		1,685,708
Utilities	121,102			121,102		121,102
Administrative	52,000	7,078		59,078		59,078
Other	21,599	5,187		26,786		26,786
Capital outlay	92,796			92,796	(92,796)	
Debt service						
Principal		2,990,000		2,990,000	(2,990,000)	
Interest and fees		1,926,994		1,926,994	127,913	2,054,907
Debt issuance costs		227,634		227,634		227,634
Depreciation					688,931	688,931
Total Expenditures/Expenses	3,020,984	5,287,689	206	8,308,879	(2,265,952)	6,042,927
Revenues Over (Under)						
Expenditures	3,115,158	(130,790)	(137)	2,984,231	2,394,257	5,378,488
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		9,350,000		9,350,000	(9,350,000)	
Debt service - principal		(9,080,000)		(9,080,000)	9,080,000	
Other Item						
Change in estimate of due to developer					1,713,826	1,713,826
Net Change in Fund Balances	3,115,158	139,210	(137)	3,254,231	(3,254,231)	
Change in Net Position					7,092,314	7,092,314
Fund Balance/Net Position						
Beginning of the year	12,950,607	2,605,022	20,590	15,576,219	(9,781,792)	5,794,427
End of the year	\$16,065,765	\$ 2,744,232	\$ 20,453	\$18,830,450	\$ (5,943,709)	\$ 12,886,741

See notes to basic financial statements.

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Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Levee Improvement District No. 17 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Commissions Court of Fort Bend County, Texas dated July 9, 2002, and operates in accordance with the Texas Water Code, Chapters 49 and 57. The Board of Directors held its first meeting on September 5, 2002 and the first bonds were sold on July 26, 2007.

The District’s primary activities include construction, maintenance and operation of flood control, drainage and recreational facilities. 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 a five-member Board of Directors appointed by the Fort Bend County Commissioners Court. The Governmental Accounting Standards Board (GASB) has established the criteria for determining whether an entity is a primary government, a component unit of a primary government or a related organization. To qualify as a primary government, a government must have a separately elected governing body, be legally separate and be fiscally independent of other governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the County appoints the Directors of the District, it has no further financial accountability for the District. Under GASB’s criteria, the District is a related organization, not a component unit, of the County for financial reporting purposes. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s flood control, drainage, and recreational facilities.

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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

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

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

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2019, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of bridges, recreational facilities and drainage facilities, are depreciated using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years
Other	10-20 years

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2019 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense. Deferred inflows of financial resources at the government-wide level consist of the 2019 property tax levy, which was levied to finance the 2020 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; 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.

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	18,830,450
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 54,765,161	
Less accumulated depreciation	<u>(7,331,665)</u>	
Change due to capital assets		47,433,496

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

2,343,437

Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(2,967,574)

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

Bonds payable, net	(52,351,578)	
Interest payable on bonds	<u>(590,360)</u>	
Change due to long-term debt		(52,941,938)

The unavailable portion of property taxes receivable and collections of the 2019 property tax levy are reported as deferred inflows in the fund financial statements. In the government wide statements, however, deferred inflows consist of the entire 2019 property tax levy.

Fund level deferred property taxes	10,945,044	
Government wide level deferred property taxes	<u>(10,756,174)</u>	
Change due to property taxes		188,870

Total net position - governmental activities	<u>\$</u>	<u>12,886,741</u>
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Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

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

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

Net change in fund balances - total governmental funds \$ 3,254,231

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 128,305

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	\$ 92,796	
Depreciation expense	(688,931)	
		(596,135)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(9,350,000)	
Principal payments	12,070,000	
Interest expense accrual	(127,913)	
		2,592,087

Revisions in the estimate of due to developer do not provide financial resources in the funds; but may result in an adjustment to net position in *Statement of Activities*. 1,713,826

Change in net position of governmental activities \$ 7,092,314

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) 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, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

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

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 3 – Deposits and Investments (continued)

As of December 31, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	\$ 1,446,683			
	Debt Service	720,000			
		<u>2,166,683</u>	12%	N/A	N/A
TexSTAR	General	13,894,980			
	Debt Service	1,874,130			
		<u>15,769,110</u>	88%	AAAm	38 days
Total		<u>\$ 17,935,793</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District’s investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

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

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 4 – Interfund Balances

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 1,997,978	Maintenance tax collections not remitted as of year end
General Fund	Debt Service Fund	4,764	Costs paid by the General Fund related to the issuance of debt

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

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Change in Estimate	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 34,736,138	\$ -	\$ -	\$ 34,736,138
Capital assets being depreciated				
Infrastructure	14,097,113			14,097,113
Other facilities	6,779,701	92,796	(940,587)	5,931,910
	20,876,814	92,796	(940,587)	20,029,023
Less accumulated depreciation				
Infrastructure	(4,831,186)	(333,915)		(5,165,101)
Other facilities	(2,111,656)	(355,016)	300,108	(2,166,564)
	(6,942,842)	(688,931)	300,108	(7,331,665)
Subtotal depreciable capital assets, net	13,933,972	(596,135)	(640,479)	12,697,358
Capital assets, net	\$ 48,670,110	\$ (596,135)	\$ (640,479)	\$ 47,433,496

Depreciation expense for the current year was \$688,931.

During the current year, the District revised its estimate of the amounts due to developer for certain capital assets and adjusted the values of those assets accordingly.

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of the District’s facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

Due to developers, beginning of year	\$ 5,321,879
Change in estimate of due to developer	(2,354,305)
Due to developers, end of year	<u>\$ 2,967,574</u>

During the current year, the District revised its estimate of the amounts due to developers for certain capital assets. As a result, the District recorded a reduction of due to developers in the amount of \$2,354,305 and a reduction of capital assets in the amount of \$640,479 on the *Statement of Net Position* and recognized a gain from the change in estimate of \$1,713,826 on the *Statement of Activities*.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 52,155,000
Unamortized discounts	(439,863)
Unamortized premium	636,441
	<u>\$ 52,351,578</u>
Due within one year	<u>\$ 3,075,000</u>

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 7 – Long-Term Debt (continued)

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009	\$ 440,000	\$ 11,000,000	4.125% - 6.0%	September 1, 2010/2020	March 1, September 1	September 1, 2018
2010	675,000	5,620,000	2.7% - 4.35%	September 1, 2011/2022	March 1, September 1	September 1, 2018
2011 Park	6,440,000	7,620,000	4.0% - 6.0%	September 1, 2014/2035	March 1, September 1	September 1, 2020
2013 Park	4,025,000	5,550,000	3.0% - 4.625%	September 1, 2014/2035	March 1, September 1	September 1, 2021
2014 Refunding	7,820,000	8,235,000	2.0% - 4.0%	September 1, 2015/2034	March 1, September 1	September 1, 2022
2015 Park	3,715,000	4,650,000	2.0% - 4.0%	September 1, 2016/2035	March 1, September 1	September 1, 2023
2016 Refunding	6,360,000	7,570,000	2.0% - 4.0%	September 1, 2016/2032	March 1, September 1	September 1, 2023
2017 Refunding	11,545,000	13,125,000	2.0% - 3.5%	September 1, 2017/2032	March 1, September 1	September 1, 2024
2017 Park	1,805,000	2,035,000	2.0% - 4.0%	September 1, 2018/2035	March 1, September 1	September 1, 2024
2019 Refunding	9,330,000	9,350,000	2.0% - 4.0%	September 1, 2019/2035	March 1, September 1	September 1, 2024
	<u>\$ 52,155,000</u>					

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

At December 31, 2019, the District had authorized but unissued bonds in the amount of \$74,360,000 for acquiring, constructing and improving the levee and drainage systems within the District; \$3,145,000 for park and recreational facilities and \$59,745,000 for refunding purposes.

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 7 – Long-Term Debt (continued)

On March 26, 2019, the District issued its \$9,350,000 Unlimited Tax Refunding Bonds to refund \$9,080,000 of outstanding Series 2009 and 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$914,277 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$713,234. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through April 8, 2019, the redemption date of the bonds. As of December 31, 2019, the bonds have all been redeemed and are no longer outstanding.

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

Year	Principal	Interest	Totals
2020	\$ 3,075,000	\$ 1,756,444	\$ 4,831,444
2021	3,135,000	1,662,667	4,797,667
2022	3,190,000	1,573,706	4,763,706
2023	3,250,000	1,482,855	4,732,855
2024	3,315,000	1,386,886	4,701,886
2025	3,360,000	1,294,875	4,654,875
2026	3,425,000	1,199,351	4,624,351
2027	3,480,000	1,094,137	4,574,137
2028	3,575,000	971,551	4,546,551
2029	3,655,000	844,162	4,499,162
2030	3,740,000	713,125	4,453,125
2031	3,830,000	576,106	4,406,106
2032	3,925,000	434,706	4,359,706
2033	2,685,000	286,041	2,971,041
2034	2,755,000	183,431	2,938,431
2035	1,760,000	75,576	1,835,576
	<u>\$ 52,155,000</u>	<u>\$ 15,535,619</u>	<u>\$ 67,690,619</u>

Note 8 – Property Taxes

On September 10, 2005, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.57 per \$100 of assessed value, of which \$0.30 was allocated to maintenance and operations and \$0.27 was allocated to debt service. The resulting tax levy was \$10,722,525 on the adjusted taxable value of \$1,881,144,659.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2019 levy collections in the amount of \$3,600,884 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2019 tax levy of \$10,756,174 is reported as deferred inflows. These amounts will be recognized as revenue in 2020.

Property taxes receivable, at December 31, 2019, consisted of the following:

Current year taxes receivable	\$ 7,155,290
Prior years taxes receivable	145,355
	<u>7,300,645</u>
Penalty and interest receivable	43,516
Total property taxes receivable	<u>\$ 7,344,161</u>

Note 9 – Cost Sharing Agreement with the University of Houston

On November 24, 2003, the District entered into an agreement with the University of Houston ("UH"), which owns approximately 256 acres of land within the District. This land was unprotected by levees and threatened by flooding from the Brazos River. The District prepared a plan of reclamation for the construction of levees and reclaimed all of the property within the boundaries of the District including the UH tract. Under Texas law, property owned by UH and used for a public purpose is exempt from property taxes. UH has agreed to pay its share of the costs of the levees and other drainage improvements included in the District's reclamation plan for the benefit received from the existence of such levees and other improvements and for the ongoing costs to maintain and operate the levee system. During the current fiscal year, the District recognized revenues of \$181,631 based on 2019 operating expenses.

Fort Bend County Levee Improvement District No. 17
Notes to Basic Financial Statements
December 31, 2019

Note 10 – Maintenance Agreement with Telfair Community Association

On January 10, 2019, the District and Telfair Community Association, Inc. ("TCA") entered into an Amended and Restated Maintenance Agreement (the "Agreement") for the purpose of providing a coordinated approach to the maintenance of recreational facilities constructed within the District by both the District and TCA. The Agreement will automatically renew for each calendar year, unless either party gives written notice of termination by September 1 of a given year. The District and TCA both acknowledge that it is in the best interest of both parties for the parks and recreational facilities within the District to be maintained to a consistent high standard. The District shall contract with TCA to manage the maintenance of District facilities.

During the current year, the Agreement was amended to include the cost of a full-time administrator to oversee the maintenance and operations of the public recreational facilities owned by the District. The District agreed to provide an annual payment of \$62,000 to TCA to employ a full-time administrator to oversee and coordinate the maintenance of District owned facilities. During the current fiscal year, the District paid a total of \$1,523,413 to TCA related to this maintenance agreement.

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.

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Required Supplementary Information

*Fort Bend County Levee Improvement District No. 17
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 5,526,763	\$ 5,526,736	\$ 5,584,403	\$ 57,667
Intergovernmental	410,732	230,144	181,631	(48,513)
FEMA reimbursement			16,298	16,298
Miscellaneous			7,500	7,500
Investment earnings	204,000	204,000	346,310	142,310
Total Revenues	<u>6,141,495</u>	<u>5,960,880</u>	<u>6,136,142</u>	<u>175,262</u>
Expenditures				
Operating and administrative				
Professional fees	217,000	252,650	344,878	(92,228)
Contracted services	110,000	110,000	109,860	140
Repairs and maintenance	1,503,904	1,503,904	593,041	910,863
Park maintenance	1,874,121	1,874,122	1,685,708	188,414
Utilities	152,000	152,000	121,102	30,898
Administrative	46,734	46,734	52,000	(5,266)
Other	5,261	5,233	21,599	(16,366)
Capital outlay	2,232,475	2,826,460	92,796	2,733,664
Total Expenditures	<u>6,141,495</u>	<u>6,771,103</u>	<u>3,020,984</u>	<u>3,750,119</u>
Revenues Over/(Under) Expenditures		(810,223)	3,115,158	3,925,381
Fund Balance				
Beginning of the year	12,950,607	12,950,607	12,950,607	
End of the year	<u>\$ 12,950,607</u>	<u>\$ 12,140,384</u>	<u>\$ 16,065,765</u>	<u>\$ 3,925,381</u>

Fort Bend County Levee Improvement District No. 17
Notes to Required Supplementary Information
December 31, 2019

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Levee Improvement District No. 17
TSI-1. Services and Rates
December 31, 2019

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

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

2. Retail Service Providers - N/A

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

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

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

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

*Fort Bend County Levee Improvement District No. 17
 TSI-2 General Fund Expenditures
 For the Year Ended December 31, 2019*

Professional fees		
Legal	\$	145,937
Audit		13,000
Engineering		185,941
		<u>344,878</u>
Contracted services		
Bookkeeping		13,860
Operator		96,000
		<u>109,860</u>
Repairs and maintenance		<u>593,041</u>
Park maintenance		<u>1,685,708</u>
Utilities		<u>121,102</u>
Administrative		
Directors fees		13,350
Printing and office supplies		2,400
Insurance		18,216
Other		18,034
		<u>52,000</u>
Other		<u>21,599</u>
Capital outlay		<u>92,796</u>
Total expenditures	\$	<u><u>3,020,984</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	36,768 kWh	\$ 16,496
Water	248,576 Gal	102,700
Natural Gas	209 CCF	375

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-3. Investments
December 31, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
TexSTAR	Variable	N/A	\$ 13,894,980	\$ -
Certificate of deposit	2.75%	3/14/2020	240,000	5,244
Certificate of deposit	2.75%	8/8/2020	240,000	2,622
Certificate of deposit	1.75%	4/16/2020	246,683	887
Certificate of deposit	2.05%	10/19/2020	240,000	984
Certificate of deposit	2.00%	2/19/2020	240,000	921
Certificate of deposit	2.45%	10/30/2020	240,000	999
			<u>15,341,663</u>	<u>11,657</u>
Debt Service				
TexSTAR	Variable	N/A	1,874,130	
Certificate of deposit	2.60%	1/8/2020	240,000	6,103
Certificate of deposit	2.75%	3/7/2020	240,000	5,407
Certificate of deposit	2.50%	1/8/2020	240,000	2,860
			<u>2,594,130</u>	<u>14,370</u>
			<u>\$ 17,935,793</u>	<u>\$ 26,027</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-4. Taxes Levied and Receivable
December 31, 2019

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,539,084	\$ 4,087,946	\$ 8,627,030	
Adjustments to Prior Year Tax Levy	(11,351)	(10,220)	(21,571)	
Adjusted Receivable	4,527,733	4,077,726	8,605,459	
2019 Original Tax Levy	5,939,901	4,790,242	10,730,143	
Adjustments	14,410	11,621	26,031	
Adjusted Tax Levy	5,954,311	4,801,863	10,756,174	
Total to be accounted for	10,482,044	8,879,589	19,361,633	
Tax collections:				
Current year	1,993,347	1,607,537	3,600,884	
Prior years	4,452,688	4,007,416	8,460,104	
Total Collections	6,446,035	5,614,953	12,060,988	
Taxes Receivable, End of Year	\$ 4,036,009	\$ 3,264,636	\$ 7,300,645	
Taxes Receivable, By Years				
2019	\$ 3,960,964	\$ 3,194,326	\$ 7,155,290	
2018	53,331	47,998	101,329	
2017	12,642	11,378	24,020	
2016 and prior	9,072	10,934	20,006	
Taxes Receivable, End of Year	\$ 4,036,009	\$ 3,264,636	\$ 7,300,645	
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 496,007,440	\$ 496,221,890	\$ 497,651,000	\$ 477,957,190
Improvements	1,550,880,862	1,467,190,987	1,427,602,609	1,395,264,428
Personal Property	51,371,788	43,134,205	37,147,700	39,169,879
Exemptions	(177,514,792)	(125,402,423)	(125,453,132)	(100,080,296)
Total Property Valuations	\$ 1,920,745,298	\$ 1,881,144,659	\$ 1,836,948,177	\$ 1,812,311,201
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.31	\$ 0.30	\$ 0.30	\$ 0.285
Debt service tax rates	0.25	0.27	0.27	0.285
Total Tax Rates per \$100 Valuation	\$ 0.56	\$ 0.57	\$ 0.570	\$ 0.57
Adjusted Tax Levy:	\$ 10,756,174	\$ 10,722,525	\$ 10,470,605	\$ 10,330,174
Percentage of Taxes Collected to Taxes Levied **	33.48%	99.05%	99.77%	99.93%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on September 10, 2005

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

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2009--by Years
December 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
<u>2020</u>	<u>\$ 440,000</u>	<u>\$ 17,600</u>	<u>\$ 457,600</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 225,000	\$ 21,938	\$ 246,938
2021	225,000	14,962	239,962
2022	225,000	7,650	232,650
	<u>\$ 675,000</u>	<u>\$ 44,550</u>	<u>\$ 719,550</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2011 Park--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 250,000	\$ 277,463	\$ 527,463
2021	265,000	267,462	532,462
2022	275,000	256,863	531,863
2023	290,000	245,862	535,862
2024	305,000	234,263	539,263
2025	320,000	222,062	542,062
2026	335,000	209,263	544,263
2027	350,000	195,862	545,862
2028	370,000	181,863	551,863
2029	390,000	167,062	557,062
2030	410,000	150,975	560,975
2031	430,000	133,038	563,038
2032	450,000	114,225	564,225
2033	475,000	93,525	568,525
2034	525,000	71,675	596,675
2035	1,000,000	47,000	1,047,000
	<u>\$ 6,440,000</u>	<u>\$ 2,868,463</u>	<u>\$ 9,308,463</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2013 Park--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 255,000	\$ 157,530	\$ 412,530
2021	255,000	149,880	404,880
2022	255,000	142,230	397,230
2023	255,000	134,580	389,580
2024	255,000	126,547	381,547
2025	250,000	117,750	367,750
2026	250,000	108,750	358,750
2027	250,000	98,750	348,750
2028	250,000	88,750	338,750
2029	250,000	78,125	328,125
2030	250,000	67,500	317,500
2031	250,000	56,563	306,563
2032	250,000	45,625	295,625
2033	250,000	34,375	284,375
2034	250,000	23,125	273,125
2035	250,000	11,563	261,563
	<u>\$ 4,025,000</u>	<u>\$ 1,441,643</u>	<u>\$ 5,466,643</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2014 Refunding--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 75,000	\$ 308,950	\$ 383,950
2021	75,000	306,700	381,700
2022	75,000	304,450	379,450
2023	80,000	302,200	382,200
2024	80,000	299,800	379,800
2025	85,000	297,400	382,400
2026	85,000	294,000	379,000
2027	800,000	290,600	1,090,600
2028	835,000	258,600	1,093,600
2029	865,000	225,200	1,090,200
2030	890,000	190,600	1,080,600
2031	925,000	155,000	1,080,000
2032	950,000	118,000	1,068,000
2033	985,000	80,000	1,065,000
2034	1,015,000	40,600	1,055,600
	<u>\$ 7,820,000</u>	<u>\$ 3,472,100</u>	<u>\$ 11,292,100</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2015 Park--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 235,000	\$ 102,538	\$ 337,538
2021	235,000	97,838	332,838
2022	235,000	93,138	328,138
2023	235,000	88,438	323,438
2024	235,000	83,738	318,738
2025	235,000	78,450	313,450
2026	235,000	72,575	307,575
2027	230,000	66,700	296,700
2028	230,000	59,800	289,800
2029	230,000	52,900	282,900
2030	230,000	46,000	276,000
2031	230,000	38,811	268,811
2032	230,000	31,625	261,625
2033	230,000	23,860	253,860
2034	230,000	16,100	246,100
2035	230,000	8,050	238,050
	<u>\$ 3,715,000</u>	<u>\$ 960,561</u>	<u>\$ 4,675,561</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2016 Refunding--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 375,000	\$ 234,750	\$ 609,750
2021	390,000	227,250	617,250
2022	405,000	215,550	620,550
2023	420,000	203,400	623,400
2024	435,000	190,800	625,800
2025	455,000	173,400	628,400
2026	480,000	155,200	635,200
2027	505,000	136,000	641,000
2028	525,000	115,800	640,800
2029	550,000	94,800	644,800
2030	580,000	72,800	652,800
2031	605,000	49,600	654,600
2032	635,000	25,400	660,400
	<u>\$ 6,360,000</u>	<u>\$ 1,894,750</u>	<u>\$ 8,254,750</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 1,055,000	\$ 309,681	\$ 1,364,681
2021	1,085,000	278,031	1,363,031
2022	1,110,000	256,331	1,366,331
2023	1,135,000	234,131	1,369,131
2024	1,165,000	208,594	1,373,594
2025	1,190,000	179,469	1,369,469
2026	1,225,000	149,719	1,374,719
2027	545,000	112,969	657,969
2028	570,000	96,619	666,619
2029	585,000	79,519	664,519
2030	605,000	61,969	666,969
2031	625,000	43,063	668,063
2032	650,000	22,750	672,750
	<u>\$ 11,545,000</u>	<u>\$ 2,032,845</u>	<u>\$ 13,577,845</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2017 Park--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 115,000	\$ 48,688	\$ 163,688
2021	115,000	45,238	160,238
2022	115,000	41,788	156,788
2023	115,000	38,338	153,338
2024	115,000	36,038	151,038
2025	115,000	33,738	148,738
2026	115,000	31,438	146,438
2027	115,000	28,850	143,850
2028	115,000	26,263	141,263
2029	110,000	23,100	133,100
2030	110,000	20,075	130,075
2031	110,000	16,775	126,775
2032	110,000	13,475	123,475
2033	110,000	10,175	120,175
2034	110,000	6,875	116,875
2035	110,000	3,438	113,438
	<u>\$ 1,805,000</u>	<u>\$ 424,292</u>	<u>\$ 2,229,292</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 50,000	\$ 277,306	\$ 327,306
2021	490,000	275,306	765,306
2022	495,000	255,706	750,706
2023	720,000	235,906	955,906
2024	725,000	207,106	932,106
2025	710,000	192,606	902,606
2026	700,000	178,406	878,406
2027	685,000	164,406	849,406
2028	680,000	143,856	823,856
2029	675,000	123,456	798,456
2030	665,000	103,206	768,206
2031	655,000	83,256	738,256
2032	650,000	63,606	713,606
2033	635,000	44,106	679,106
2034	625,000	25,056	650,056
2035	170,000	5,525	175,525
	<u>\$ 9,330,000</u>	<u>\$ 2,378,815</u>	<u>\$ 11,708,815</u>

See accompanying auditors' report.

Fort Bend County Levee Improvement District No. 17
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 3,075,000	\$ 1,752,956	\$ 4,827,956
2021	3,135,000	1,659,011	4,794,011
2022	3,190,000	1,569,881	4,759,881
2023	3,250,000	1,482,855	4,732,855
2024	3,315,000	1,386,886	4,701,886
2025	3,360,000	1,294,875	4,654,875
2026	3,425,000	1,199,351	4,624,351
2027	3,480,000	1,094,137	4,574,137
2028	3,575,000	971,551	4,546,551
2029	3,655,000	844,162	4,499,162
2030	3,740,000	713,125	4,453,125
2031	3,830,000	576,106	4,406,106
2032	3,925,000	434,706	4,359,706
2033	2,685,000	286,041	2,971,041
2034	2,755,000	183,431	2,938,431
2035	1,760,000	75,576	1,835,576
	<u>\$ 52,155,000</u>	<u>\$ 15,524,654</u>	<u>\$ 67,679,654</u>

See accompanying auditors' report.

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	Bond Issue			
	Series 2009	Series 2010	Series 2011 Park	Series 2013 Park
Interest rate	4.125% - 6.0%	2.7% - 4.35%	4.0% - 6.0%	3.0% - 4.625%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/10 - 9/1/20	9/1/11 - 9/1/22	9/1/14 - 9/1/35	9/1/14 - 9/1/35
Beginning bonds outstanding	\$ 7,040,000	\$ 3,820,000	\$ 6,680,000	\$ 4,280,000
Bonds issued				
Bonds refunded	(6,160,000)	(2,920,000)		
Bonds retired	(440,000)	(225,000)	(240,000)	(255,000)
Ending bonds outstanding	<u>\$ 440,000</u>	<u>\$ 675,000</u>	<u>\$ 6,440,000</u>	<u>\$ 4,025,000</u>
Interest paid during fiscal year	<u>\$ 166,650</u>	<u>\$ 87,416</u>	<u>\$ 289,463</u>	<u>\$ 165,180</u>
Paying agent's name and city				
Series 2009 & 2010	<u>Wells Fargo Bank, Texas, NA, Houston, Texas</u>			
Series 2011 & 2013	<u>Wells Fargo Bank, Texas, NA, Dallas, Texas</u>			
All other Series	<u>The Bank of New York Mellon Trust Company, NA, Dallas, Texas</u>			

	Levee Improvement	Park	Refunding
	Bonds	Bonds	Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 125,000,000	\$ 23,000,000	\$ 62,500,000
Amount Issued	(50,640,000)	(19,855,000)	(2,755,000)
Remaining To Be Issued	<u>\$ 74,360,000</u>	<u>\$ 3,145,000</u>	<u>\$ 59,745,000</u>

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

Debt Service Fund cash and investments balances as of December 31, 2019:	<u>\$ 6,344,396</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 4,230,664</u>

See accompanying auditors' report.

	Bond Issue			
	Series 2014 Refunding	Series 2015 Park	Series 2016 Refunding	Series 2017 Refunding
Interest rate	2.0% - 4.0%	2.0% - 3.6%	2.0% - 4.0%	2.0% - 3.5%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/34	9/1/16 - 9/1/35	9/1/16 - 9/1/32	9/1/17 - 9/1/32
Beginning bonds outstanding	\$ 7,890,000	\$ 3,950,000	\$ 6,730,000	\$ 12,565,000
Bonds issued				
Bonds refunded				
Bonds retired	(70,000)	(235,000)	(370,000)	(1,020,000)
Ending bonds outstanding	<u>\$ 7,820,000</u>	<u>\$ 3,715,000</u>	<u>\$ 6,360,000</u>	<u>\$ 11,545,000</u>
Interest paid during fiscal year	<u>\$ 311,050</u>	<u>\$ 107,238</u>	<u>\$ 242,150</u>	<u>\$ 340,280</u>

See accompanying auditors' report.

Bond Issue		
Series 2017 Park	Series 2019 Refunding	Totals
2.0% - 4.0%	2.0% - 4.0%	
3/1; 9/1	3/1; 9/1	
9/1/18 - 9/1/35	9/1/19 - 9/1/35	
\$ 1,920,000	\$ -	\$ 54,875,000
	9,350,000	9,350,000
		(9,080,000)
(115,000)	(20,000)	(2,990,000)
<u>\$ 1,805,000</u>	<u>\$ 9,330,000</u>	<u>\$ 52,155,000</u>
<u>\$ 52,138</u>	<u>\$ 139,053</u>	<u>\$ 1,900,618</u>

Fort Bend County Levee Improvement District No. 17
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 5,584,403	\$ 5,486,344	\$ 5,186,019	\$ 5,061,775	\$ 4,172,602
Intergovernmental	181,631	139,335	157,743	202,791	115,728
FEMA reimbursement	16,298				
Miscellaneous	7,500	7,453	7,500		30
Investment earnings	346,310	239,324	74,628	11,229	6,543
Total Revenues	6,136,142	5,872,456	5,425,890	5,275,795	4,294,903
Expenditures					
Operating and administrative					
Professional fees	344,878	249,533	204,221	168,592	157,073
Contracted services	109,860	109,519	109,688	109,500	110,160
Repairs and maintenance	593,041	461,564	496,298	369,999	686,225
Park maintenance	1,685,708	1,561,949	1,499,854	1,440,740	1,316,632
Utilities	121,102	99,539	112,332	76,274	42,040
Administrative	52,000	35,437	30,982	21,520	31,097
Other	21,599	2,088	37,638	645	836
Capital outlay	92,796	150,000			
Debt service					
Developer interest		11,704			
Debt issuance costs					15,908
Total Expenditures	3,020,984	2,681,333	2,491,013	2,187,270	2,359,971
Revenues Over Expenditures	\$ 3,115,158	\$ 3,191,123	\$ 2,934,877	\$ 3,088,525	\$ 1,934,932

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
91%	94%	96%	96%	97%
3%	2%	3%	4%	3%
*				
*	*	*		*
6%	4%	1%	*	*
100%	100%	100%	100%	100%
6%	4%	4%	3%	4%
2%	2%	2%	2%	3%
10%	8%	9%	7%	16%
27%	27%	28%	27%	31%
2%	2%	2%	1%	1%
1%	1%	1%	*	1%
*	*	1%	*	*
2%	3%			
	*			
				*
50%	47%	47%	40%	56%
50%	53%	53%	60%	44%

Fort Bend County Levee Improvement District No. 17

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

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 5,025,958	\$ 4,932,700	\$ 5,185,512	\$ 5,230,504	\$ 5,215,154
Penalties and interest	34,686	43,427	84,306	38,725	39,004
Accrued interest on bonds sold					4,715
Investment earnings	96,255	77,648	30,650	10,343	8,705
Total Revenues	5,156,899	5,053,775	5,300,468	5,279,572	5,267,578
Expenditures					
Tax collection services	143,061	151,677	157,147	137,934	132,298
Debt service					
Principal	2,990,000	2,890,000	2,870,000	2,530,000	2,180,000
Interest and fees	1,926,994	2,070,884	1,967,250	2,423,773	2,555,955
Debt issuance costs	227,634		427,952	199,973	
Total Expenditures	5,287,689	5,112,561	5,422,349	5,291,680	4,868,253
Revenues Over (Under) Expenditures	\$ (130,790)	\$ (58,786)	\$ (121,881)	\$ (12,108)	\$ 399,325
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	97%	97%	99%	99%
1%	1%	2%	1%	1%
				*
2%	2%	1%	*	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
58%	57%	54%	48%	41%
37%	41%	37%	46%	49%
4%		8%	4%	
102%	101%	102%	101%	93%
(2%)	(1%)	(2%)	(1%)	7%

**Fort Bend County Levee Improvement District No. 17
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended December 31, 2019**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): October 29, 2019
 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
Board Members**				
David Gornet	07/18 - 07/22	\$ 7,200	\$ 2,199	President
Madhukar Adi	10/19 - 09/23	300		Vice President
Ng Fook Francis Ming	07/18 - 07/22	5,250	8,249	Secretary
Vibhor Mehrotra	04/18 - 04/22	300		Asst. Secretary
Nabila Mansoor	10/19 - 09/23	300		Asst. Vice President

**No director has any business or family relationship (as defined by the Texas Water Code) with major landowners in the District, with the District's developer, or with any of the District's consultants.

Consultants		Amounts Paid	
Allen Boone Humphries Robinson LLP	2003		Attorney
<i>General legal fees</i>		\$ 146,144	
<i>Bond counsel</i>		93,614	
Levee Management Services	2012	210,097	Operator
Myrtle Cruz, Inc.	2004	17,907	Bookkeeper
Tax Tech	2005	49,875	Tax Collector
Fort Bend Central Appraisal District	Legislation	70,848	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott LLP	2008	6,250	Delinquent Tax Attorney
LJA Engineering	2002	168,552	Engineer
McGrath & Co., PLLC	Annual	13,600	Auditor
Masterson Advisors LLC	2019	98,451	Financial Advisor
Storm Water Solutions	2008	8,066	Storm Water Management

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