

**In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and is not included in the alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.**

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

**NEW ISSUE - BOOK-ENTRY-ONLY**

**RATINGS: S&P Global Ratings (AGM insured) ..... "AA"**  
**Moody's Investors Service (AGM insured) ..... "A2"**  
**Moody's Investors Service, Inc. (underlying) ..... "Baa3"**  
 See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

**\$5,930,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**

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

**UNLIMITED TAX BONDS, SERIES 2019**

**Interest accrues from: February 1, 2019**

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

Interest on the Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds, Series 2019 (the "Bonds") will accrue from February 1, 2019, and is payable on September 1, 2019, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, Houston, Texas, an Alabama banking corporation (the "Paying Agent/Registrar"). The Bonds are obligations solely of Fort Bend County Municipal Utility District No. 131 (the "District") and are not obligations of Fort Bend County, Texas, the City of Alvin, Texas, Sienna Plantation Levee Improvement District, the State of Texas, or any entity other than the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The Bonds will mature in the amounts and on the dates and will bear interest at the rates and be reoffered as set forth below.

**AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS**  
**\$3,095,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 34680T (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 34680T (b)
2019	\$ 195,000	6.000%	1.900%	AZ5	2027(c)	\$ 190,000	3.000%	2.850%	BH4
2020	140,000	6.000%	2.000%	BA9	2028(c)	200,000	3.000%	3.000%	BJ0
2021	150,000	6.000%	2.100%	BB7	2029(c)	205,000	3.000%	3.100%	BK7
2022	155,000	6.000%	2.200%	BC5	2030(c)	215,000	3.000%	3.200%	BL5
2023	160,000	6.000%	2.300%	BD3	2031(c)	225,000	3.000%	3.300%	BM3
2024	170,000	6.000%	2.400%	BE1	2032(c)	235,000	3.125%	3.400%	BN1
2025(c)	175,000	5.500%	2.410%	BF8	2033(c)	245,000	3.250%	3.500%	BP6
2026(c)	180,000	5.500%	2.420%	BG6	2034(c)	255,000	3.375%	3.600%	BQ4

**\$2,835,000 Term Bonds**

- \$540,000 Term Bond due September 1, 2036 (c)(d) Interest Rate 3.500% (Price: \$98.069) (a) CUSIP No. 34680T BSO (b)
- \$1,230,000 Term Bond due September 1, 2040 (c)(d) Interest Rate 3.500% (Price: \$96.328) (a) CUSIP No. 34680T BX9 (b)
- \$1,065,000 Term Bond due September 1, 2043 (c)(d) Interest Rate 3.750% (Price: \$98.421) (a) CUSIP No. 34680T BZ4 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchases. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as term bonds.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under the caption "THE BONDS - Redemption Provisions - Mandatory Redemption."

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District have authorized a total of \$45,000,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System. Following the issuance of the Bonds, \$36,675,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds authorized by the District's voters for the System will remain unissued. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered by the initial purchaser of the Bonds (the "Initial Purchaser") subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about February 21, 2019.

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP (“Bond Counsel”) for further information.

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

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

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

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APPENDIX A - Financial Statements of the District  
APPENDIX B - Specimen Municipal Bond  
Insurance Policy

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of this Official Statement at a price of 98.023608% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 3.758541%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and

“A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

#### *Capitalization of AGM*

At September 30, 2018:

- The policyholders’ surplus of AGM was approximately \$2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,187 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty (Europe) plc (“AGE”), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE”.

#### **RATINGS**

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance of the Policy issued by AGM at the time of the delivery of the Bonds.

The Bonds are expected to receive an insured rating of “A2” (stable outlook) from Moody’s solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds. Moody’s has assigned an underlying credit rating of “Baa3” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody’s, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

**OFFICIAL STATEMENT SUMMARY**

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE BONDS**

The District.....	Fort Bend County Municipal Utility District No. 131 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT - General” and “- Description.”
The Bonds.....	The \$5,930,000 Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds, Series 2019 (the “Bonds”), are dated February 1, 2019, and mature on September 1 in the years and amounts set forth on the cover page hereof. Interest on the Bonds accrues from February 1, 2019 and is payable on September 1, 2019, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”
Redemption Provisions .....	The Bonds maturing on September 1, 2019 through September 1, 2034, inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2036, 2040 and 2043 are referred to herein as the term bonds (the “Term Bonds”), which have certain mandatory redemption amounts as set forth under “THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i> .” Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2024, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – <i>Optional Redemption</i> .”
Source of Payment .....	Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem property tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Alvin, Texas (the “City of Alvin”), the Sienna Plantation Levee Improvement District (the “SPLID”) or any entity other than the District. See “THE BONDS - Source of Payment.”
Authority for Issuance.....	The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the “System”) to serve the District. Voters in the District have authorized a total of \$45,000,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System. Following the issuance of the Bonds, \$36,675,000 principal amount of unlimited tax bonds and \$67,500,000 in principal amount of unlimited tax refunding bonds authorized by the District’s voters for the System will remain unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem property tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.” The Bonds are issued

	pursuant to an order of the TCEQ (defined herein); the order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held on September 14, 2002; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE BONDS – Authority for Issuance, and – Issuance of Additional Debt.”
Short-Term Debt.....	In connection with the Bonds, the District has issued its \$3,140,000 Bond Anticipation Note, Series 2018 (the “BAN”), issued May 1, 2018, and distributed proceeds from the sale of the BAN as described herein. The BAN accrues interest at a rate of 2.50% per year (computed on the basis of a 360-day year), matures on April 30, 2019, unless called for redemption prior to maturity, and is payable solely from the proceeds of the Bonds. See “THE BONDS – Short-Term Debt.”
Outstanding Bonds .....	The District has previously issued its \$2,395,000 Unlimited Tax Bonds, Series 2015. As of November 1, 2018, \$2,270,000 principal amount of the above-referenced bonds issued by the District remains outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Proceeds .....	A portion of the proceeds of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers (as defined herein) for a portion of the costs of (i) the construction of water, wastewater and storm drainage facilities for Southern Colony, Sections 1, 2A, 2B, and 3A; (ii) the construction of a remote water well; and (iii) engineering, materials testing, land costs and storm water pollution prevention program fees associated with items (i) and (ii). In addition, a portion of the proceeds from the Bonds will be used to pay for the remaining portion of items (i) through (iii) listed above, developer interest, BAN interest, and issuance costs of the BAN and the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Qualified Tax Exempt Obligations For Financial Institutions.....	The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations For Financial Institutions.”
Municipal Bond Insurance .....	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Ratings .....	S&P Global Ratings (AGM insured) – “AA” (stable outlook). Moody’s Investors Service (AGM insured) – “A2” (stable outlook). Moody’s Investors Service (underlying) – “Baa3.” See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
Bond Counsel .....	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co., Incorporated, Houston, Texas.
Disclosure Counsel .....	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
District Engineer .....	LJA Engineering, Inc., Houston, Texas.
<b>THE DISTRICT</b>	
The Issuer .....	The District was created by order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the “TCEQ”) dated March 11, 2002. The District contains approximately 276.49 acres of land, is located



entirely within Fort Bend County, Texas, and entirely within the extraterritorial jurisdiction (“ETJ”) of the City of Alvin. See “THE DISTRICT – General.”

Location .....

The District is located in southeast Fort Bend County, approximately 22 miles southwest of downtown Houston. The District is approximately two miles south of the intersection of Texas State Highway 6 and FM 521. The District is bordered by FM 521 on the west, which provides direct access for residents. All of the property is within Fort Bend County Independent School District (“FBISD”), and the SPLID, and lies within the ETJ of the City of Alvin.

The Developers.....

The active developers in the District are Élan Development, L.P. (“Élan”), D.R. Horton-Texas, Ltd., a Texas limited partnership (“DR Horton”), which is controlled by D.R. Horton Inc. (“DHI”), a Delaware corporation and a publicly traded corporation, and Forestar (USA) Real Estate Group, Inc., a publicly traded company that is wholly-owned by Forestar Group Inc. (collectively, “Forestar”), a publicly traded company that is a majority-owned subsidiary of DHI. Élan, DR Horton and Forestar are collectively referred to as “the Developers.” Élan currently owns approximately 8.58 acres reserved for commercial use in the District; DR Horton currently owns approximately 283 developed lots, of which 148 are vacant developed lots, in the District; and Forestar currently owns approximately 61.02 acres (260 lots) under development in the District. See “THE DEVELOPERS – The Developers.”

Development within the District.....

Land within the District has been developed as the single-family subdivision of Southern Colony, Sections 1, 2A, 2B, 3A, 3B and 4A (aggregating approximately 202.75 acres and 768 single-family lots). As of December 1, 2018, the District consisted of 490 completed homes (454 occupied homes, 36 unoccupied homes), 130 homes under construction and 148 vacant developed lots. In addition, Southern Colony, Sections 4B and 4C (approximately 61.02 acres and 260 single-family lots) are currently under development. Additionally, the remaining acreage in the District consists of approximately 8.58 acres reserved for commercial use, approximately 2.60 acres of undeveloped but developable land, and approximately 1.55 acres of undevelopable land. See “DEVELOPMENT WITHIN THE DISTRICT.”

Overlapping Districts and Taxes.....

The SPLID is the levee improvement district created to provide the levee, detention ponds, external and interior drainage channels and outfall facilities necessary to serve the Sienna Plantation development (“Sienna Plantation”) and some additional land adjacent to Sienna Plantation, including the District. Approximately 9,555 acres of Sienna Plantation, including the entire District, is located within the SPLID. The SPLID will finance facilities to accomplish flood protection within the SPLID, excluding the District, and accommodate storm water drainage within the SPLID, including the District. The SPLID currently levies a tax on property located within its boundaries, including the District, which tax is in addition to the tax levied by the District. The SPLID levied a total tax of \$0.45 per \$100 of assessed valuation for the 2018 tax year. As of December 1, 2018, the SPLID has \$104,400,000 principal amount of bonds outstanding.

**INVESTMENT CONSIDERATIONS**

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

*[Remainder of Page Intentionally Left Blank]*

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2018 Certified Assessed Valuation.....		\$64,288,605 (a)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Valuation as of November 1, 2018.....		\$94,784,885 (b)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds.....		\$2,270,000
The Bonds.....		<u>\$5,930,000</u>
Total.....		\$8,200,000
Estimated Overlapping Debt.....		\$4,085,473 (c)
Total Direct and Estimated Overlapping Debt.....		\$12,285,473
Direct Debt Ratio to:		
2018 Certified Assessed Valuation.....	12.75%	
Estimated Valuation as of November 1, 2018.....	8.65%	
Direct and Estimated		
Overlapping Debt Ratio:		
2018 Certified Assessed Valuation.....	19.11%	
Estimated Valuation as of November 1, 2018.....	12.96%	
Debt Service Fund Balance (as of November 27, 2018).....		\$148,197 (d)
General Fund Balance (as of November 27, 2018).....		\$1,832,658
Construction Fund Balance (as of November 27, 2018).....		\$66,311
2018 Tax Rate		
Debt Service.....	\$0.86	
Maintenance & Operation.....	\$0.19	
SPLID.....	<u>\$0.45 (e)</u>	
Total.....	<u>\$1.50</u>	
Average Annual Debt Service Requirements		
of the Bonds and the Outstanding Bonds (2019-2043).....		\$496,383
Maximum Annual Debt Service Requirement		
of the Bonds and the Outstanding Bonds (2039).....		\$548,938
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements of the Bonds and the Outstanding Bonds		
(2019-2043) at 95% Tax Collections		
Based Upon 2018 Certified Assessed Valuation.....	\$0.82	
Based Upon Estimated Valuation as of November 1, 2018.....	\$0.56	
Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement of the Bonds and the		
Outstanding Bonds (2039) at 95% Tax Collections		
Based Upon 2018 Certified Assessed Valuation.....	\$0.90	
Based Upon Estimated Valuation as of November 1, 2018.....	\$0.61	

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2018, provided by the Fort Bend Central Appraisal District (the "FBCAD" or the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by FBCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of November 1, 2018, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2018 through November 1, 2018. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (e) The District is located within the boundaries of Sienna Plantation Levee Improvement District (the "SPLID"), and is subject to taxation by the SPLID. The SPLID levied a debt service tax of \$0.28 per \$100 of assessed valuation and a maintenance tax of \$0.17 per \$100 of assessed valuation. Thus, the combined tax rate of the SPLID and the District is \$1.50 per \$100 of assessed valuation.

## **Official Statement**

**relating to  
\$5,930,000**

### **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131 (A Political Subdivision of the State of Texas Located in Fort Bend County, Texas)**

#### **Unlimited Tax Bonds, Series 2019**

#### **INTRODUCTION**

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 131 (the "District") of its \$5,930,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) an order of the Texas Commission on Environmental Quality (the "TCEQ"); (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an order authorizing issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"); and (iv) an election held within the boundaries of the District on September 14, 2002.

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

#### **THE BONDS**

##### **General**

The Bonds will bear interest from February 1, 2019, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the cover page hereof. Interest on the Bonds will be paid on September 1, 2019, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360 day year comprised of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in the principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, in Houston, Texas, an Alabama banking corporation (the "Paying Agent/Registrar").

##### **Redemption Provisions**

###### *Optional Redemption*

The Bonds maturing on and after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same

maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

*Mandatory Redemption*

The Bonds due September 1 in the years 2036, 2040 and 2043 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus interest to the date of redemption.

\$540,000 Term Bond due September 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$265,000
September 1, 2036	275,000

\$1,230,000 Term Bond due September 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2037	\$290,000
September 1, 2038	300,000
September 1, 2039	315,000
September 1, 2040	325,000

\$1,065,000 Term Bond due September 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$340,000
September 1, 2042	355,000
September 1, 2043	370,000

On or before 30 days prior to each Mandatory Redemption Date as 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 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 Bonds 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, has either been purchased in the open market and delivered or tendered for cancellation by the District or on behalf of the District to the Registrar or optionally redeemed and which, in neither case, has not previously been made the basis for a reduction under this sentence.

**Registration, Transfer and Exchange**

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

surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Record Date for Interest Payment**

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

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

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

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

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. 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 for the Bonds.

### **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 assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the 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 cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Texas, the City of Alvin, the SPLID or any other political subdivision or any entity other than the District.

### **Payment Record**

The District has never defaulted on the timely payment of principal and interest on its bonded indebtedness.

### **Authority for Issuance**

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or the System to serve the District. Voters in the District have authorized a total of \$45,000,000 principal amount of bonds and \$67,500,000 principal amount of refunding bonds for the System. Following the issuance of the Bonds, \$36,675,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds authorized by the District's voters for the System will remain unissued.

The Bonds are issued pursuant to (i) an order of the TCEQ; (ii) Article XVI of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, (iii) the Bond Order; and (iv) an election held within the boundaries of the District on September 14, 2002.

### **Outstanding Bonds**

The District has previously issued its \$2,395,000 Unlimited Tax Bonds, Series 2015. As of November 1, 2018, \$2,270,000 principal amount of the above-referenced bonds issued by the District remains outstanding (the "Outstanding Bonds").

### **Short-Term Debt**

In connection with the Bonds, the District has issued its \$3,140,000 Bond Anticipation Note, Series 2018 (the "BAN"), issued May 1, 2018, and distributed proceeds from the sale of the BAN as described herein. The BAN accrues interest at a rate of 2.50% per year (computed on the basis of a 360-day year), matures on April 30, 2019, unless called for redemption prior to maturity, and is payable solely from the proceeds of the Bonds.

### **Issuance of Additional Debt**

The District may issue additional bonds. The District's voters have authorized a total of \$45,000,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System. The Bonds are the second series of unlimited tax bonds issued by the District for the System. Following the issuance of the Bonds, \$36,675,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System will remain authorized and unissued.

Following the issuance of the Bonds, the District will owe the Developers approximately \$1,800,000 in reimbursement for District projects, the funds for which were advanced by the Developers.

Based on present engineering cost estimates and on development plans supplied by the Developers, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), following the issuance of the bonds, the District will have adequate authorized but unissued bonds to repay the Developers the remaining amounts owed for the existing utility facilities, and to finance the extension of the System to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

### **Defeasance**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing

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

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

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

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

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

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

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

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

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

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the*



*manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

*Use of Certain Terms in Other Sections of this Official Statement*

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

*[Remainder of Page Intentionally Left Blank]*

**USE AND DISTRIBUTION OF BOND PROCEEDS**

A portion of the proceeds of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developers (as defined herein) for a portion of the costs of (i) the construction of water, wastewater and storm drainage facilities for Southern Colony, Sections 1, 2A, 2B, and 3A; (ii) the construction of a remote water well; and (iii) engineering, materials testing, land costs and storm water pollution prevention program fees associated with items (i) and (ii). In addition, a portion of the proceeds from the Bonds will be used to pay for the remaining portion of items (i) through (iii) listed above, developer interest, BAN interest, and issuance costs of the BAN and the Bonds.

**CONSTRUCTION COSTS**

A. Developer Contribution Items

1. Southern Colony, Section 1 - W, WW & D	\$1,732,100
2. Southern Colony, Section 2A - W, WW & D	618,886
3. Southern Colony, Section 2B - W, WW & D	463,844
4. Southern Colony, Section 3A - W, WW & D	209,810
5. Engineering for Items 2-4	291,922
6. Geotech Testing for Items 3-4	18,232
7. Storm Water Pollution Prevention Planning for Item 4	<u>12,045</u>
Total Developer Contribution Items	<u>\$3,346,839</u>

B. District Items

1. Southern Colony Remote Water Well	\$1,038,529
2. Engineering	112,990
3. Land Acquisition Costs for Remote Water Well Site	<u>4,925</u>
Total District Items	<u>\$1,156,444</u>

Total Construction Costs \$4,503,283

**NON-CONSTRUCTION COSTS**

1. Legal Fees	\$158,250
2. Fiscal Agent Fees	118,600
3. Interest	
A. Developer Interest	717,122
B. BAN Interest	64,544
4. Bond Discount	117,200
5. Bond Issuance Expenses	27,425
6. BAN Issuance Expenses	82,703
7. Bond Application Report	35,000
8. Attorney General Fee	5,930
9. TCEQ Bond Issuance Fee	14,825
10. Contingency (a)	<u>85,118</u>
Total Non-Construction Costs	<u>\$1,426,717</u>

**TOTAL BOND ISSUE REQUIREMENT \$5,930,000**

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(a) Contingency represents the sum of the difference between the estimated and actual amounts for BAN Interest and Bond Discount on the Bonds.

The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## **Agreed Final Judgment**

The District filed a bond application report with the TCEQ in July of 2006, seeking approval from TCEQ for the issuance of its first series of bonds in the amount of \$3,000,000. Subsequent to the filing of the bond application and in accordance with Section 49.154, Texas Water Code, as amended, the District issued its \$1,779,510 Bond Anticipation Note, Series 2006, payable to the order of Frost Bank (the "2006 BAN"). Shortly after the issuance of the 2006 BAN, there was a severe downturn in the housing market in the Houston metropolitan area, resulting in the District's developer at the time, Trophy Homes, a division of Newmark Homes, L.P. ("Trophy Homes"), being unable to market and sell additional homes in the District. Consequently, the TCEQ returned the District's bond application without prejudice, finding that the issuance of bonds would result in the District failing certain financial feasibility requirements set forth in TCEQ rules. Because the District failed to obtain approval from TCEQ to issue the necessary bonds for repayment, the 2006 BAN was not repaid at maturity. The District subsequently issued three refunding bond anticipation notes (collectively the "Refunding BAN"), payable to Frost Bank, for the purpose of retiring the Series 2006 BAN. In July, 2011, Frost Bank filed a Writ of Mandamus against the District requesting that the District comply with the terms set forth in the Refunding BAN and issue bonds in an amount sufficient to pay the principal and interest due on the Refunding BAN. Frost Bank and the District later filed a Joint Motion for Entry of Agreed Final Judgment pursuant to which a Writ of Mandamus was issued directing that at such time as there was sufficient growth in taxable value in the District to pay to Frost Bank \$2,415,590.00 from the proceeds of the issuance of unlimited tax bonds to retire the Refunding BAN, the District would file a bond application and request TCEQ approval of such bond issue. Such Agreed Final Judgment was entered into on October 31, 2011. Subsequent to the Agreed Final Judgment (a) Trophy Homes sold all of its property in the District to Élan and (b) Élan purchased the Refunding BAN and the right to receive any and all payments made pursuant to the Agreed Final Judgment from Frost Bank. A portion of the proceeds of the Bonds District's \$2,395,000 Unlimited Tax Bonds, Series 2015, made a partial payment to Élan in the amount of \$1,190,000 towards the total amount owed by the District under the Agreed Final Judgment. Élan subsequently sold to D.R. Horton – Texas the remaining amount due of \$1,225,590 to Élan under the Agreed Final Judgment. No payment to D.R. Horton – Texas is included in the proceeds of the Bonds.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission, now known as the TCEQ, dated March 11, 2002. The creation of the District was confirmed at an election held within the District on September 14, 2002. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the district's voters and the TCEQ. The District does not currently operate and/or maintain a fire department or any recreational facilities.

### **Description**

The District encompasses approximately 276.49 acres of land, is located entirely within Fort Bend County, Texas, and entirely within the ETJ of the City of Alvin.

### **Location**

The District is located in southeast Fort Bend County, Texas, approximately 22 miles southwest of downtown Houston. The District is approximately two miles south of the intersection of Texas State Highway 6 and FM 521. The District is bordered by FM 521 on the west, which provides direct access for residents. All of the property is within Fort Bend County Independent School District ("FBISD"), and the SPLID, and lies within the ETJ of the City of Alvin.

## Management of the District

### - Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed are below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Jennifer Jacobs	President	2022
Leslie Smith-Boards	Vice President	2022
Gregory Eknoyan	Secretary	2020
Curtis R. Campbell	Assistant Secretary	2020
Risha Miller	Assistant Secretary	2022

### - Consultants -

**Tax Assessor/Collector** - The District's Tax Assessor/Collector is Tax Tech, Inc. (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

**Bookkeeper** - The District contracts Myrtle Cruz, Inc. as bookkeeper for the District.

**Utility System Operator** - The District's current operator is Si Environmental, LLC. Such firm acts as operator for approximately 40 utility districts.

**Auditor** - The District employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended July 31, 2018, which have been included as "APPENDIX A".

**Engineer** - The consulting engineer retained by the District in connection with the design and construction of the District's facilities is LJA Engineering, Inc. (the "Engineer").

**Bond & General Counsel** - The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas also serves as the District's general counsel.

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

## THE DEVELOPERS

### The Role of a Developer

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

## The Developers

The active developers in the District are Élan Development, L.P. (“Élan”), D.R. Horton-Texas, Ltd., a Texas limited partnership (“DR Horton”), which is controlled by D.R. Horton Inc. (“DHI”), a Delaware corporation and a publicly traded corporation, and Forestar (USA) Real Estate Group, Inc., a publicly traded company that is wholly-owned by Forestar Group Inc. (collectively, “Forestar”), a publicly traded company that is a majority-owned subsidiary of DHI. Élan, DR Horton and Forestar are collectively referred to as “the Developers.” Élan currently owns approximately 8.58 acres reserved for commercial use in the District; DR Horton currently owns approximately 283 developed lots, of which 148 are vacant developed lots, in the District; and Forestar currently owns approximately 61.02 acres (260 lots) under development in the District.

### DEVELOPMENT WITHIN THE DISTRICT

#### Current Status of Development

Land within the District has been developed as the single-family subdivision of Southern Colony, Sections 1, 2A, 2B, 3A, 3B and 4A (aggregating approximately 202.75 acres and 768 single-family lots). As of December 1, 2018, the District consisted of 490 completed homes (454 occupied homes, 36 unoccupied homes), 130 homes under construction and 148 vacant developed lots. In addition, Southern Colony, Sections 4B and 4C (approximately 61.02 acres and 260 single-family lots) are currently under development. Additionally, the remaining acreage in the District consists of approximately 8.58 acres reserved for commercial use, approximately 2.60 acres of undeveloped but developable land, and approximately 1.55 acres of undevelopable land.

The following table displays the status of development within the District as of December 1, 2018:

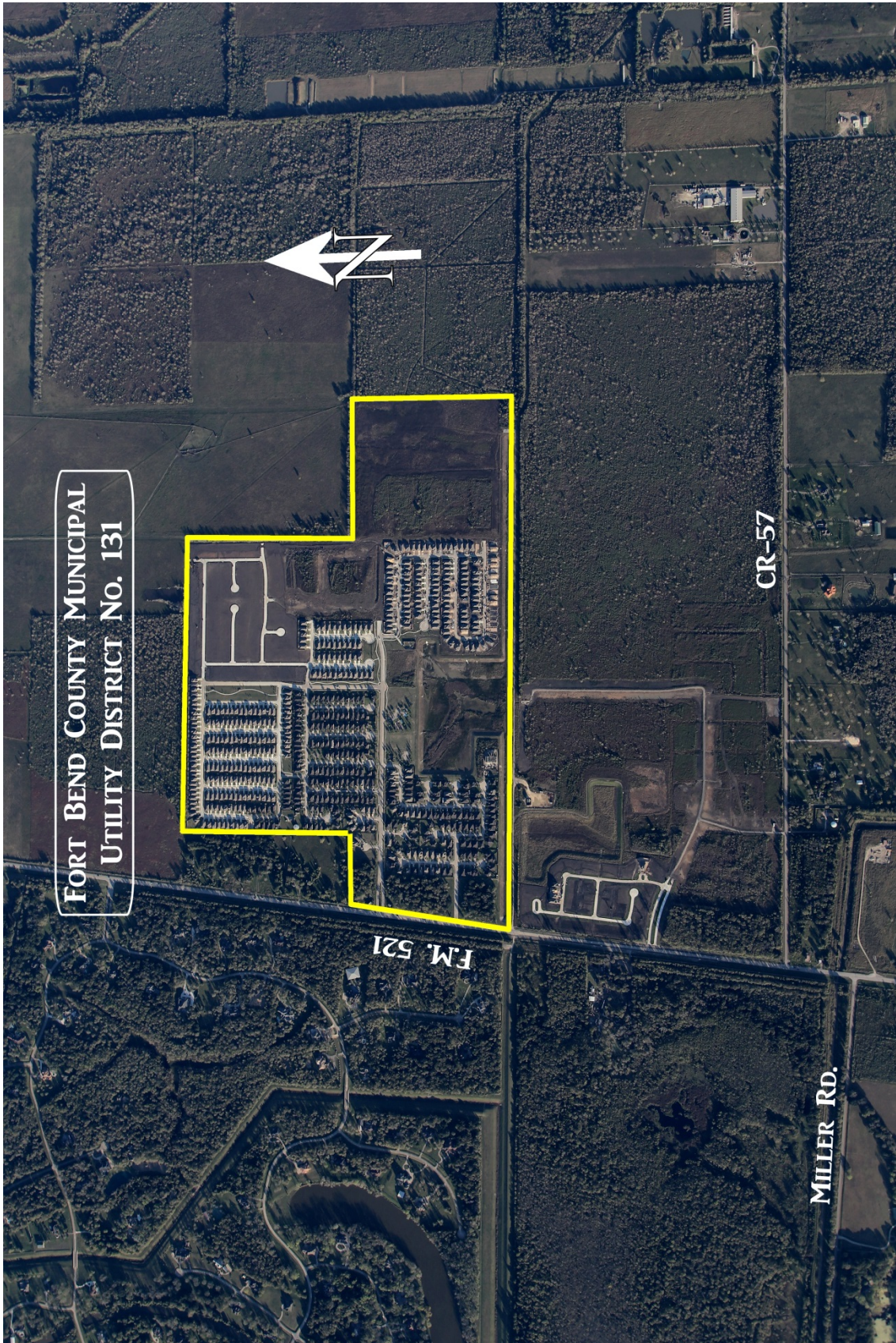
<u>Section</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Southern Colony, Section 1	106.55	271	271	-	-
Southern Colony, Section 2A	16.77	92	92	-	-
Southern Colony, Section 2B	13.96	76	76	-	-
Southern Colony, Section 3A	9.78	46	44	2	-
Southern Colony, Section 3B	25.71	135	7	128	-
Southern Colony, Section 4A	29.97	148	-	-	148
Southern Colony, Section 4B (a)	28.31	118	-	-	-
Southern Colony, Section 4C (a)	<u>32.71</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	263.76	1,028	490	130	148
Commercial Reserves	8.58				
Undeveloped but developable	2.60				
Undevelopable	1.55				
Total District Acreage	276.49				

(a) Currently under development.

PHOTOGRAPHS WITHIN THE DISTRICT



AERIAL PHOTOGRAPH OF THE DISTRICT





## **TAX DATA**

### **General**

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.25 per \$100 of assessed valuation for operation and maintenance purposes. For the 2018 tax year, the Board levied a total tax rate of \$1.05 per \$100 of assessed valuation composed of: \$0.86 per \$100 of assessed valuation for debt service and \$0.19 per \$100 of assessed valuation for maintenance and operation purposes.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.25 per \$100 of Assessed Valuation.

### **Debt Service Tax**

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal and interest on the Bonds. The District levied its first debt service tax in 2015. For the 2018 tax year, the Board levied a tax rate of \$0.86 per \$100 of assessed valuation for debt service.

### **Maintenance and Operations Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On September 14, 2002, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.25 per \$100 assessed valuation. For the 2018 tax year, the District levied a tax rate of \$0.19 per \$100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

### **Tax Exemption**

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

### **Additional Penalties**

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

**Historical Tax Collections**

The following table illustrates the collection history of the District for the 2013–2018 tax years:

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending 9/30	% Collections as of 10/31/18
2013	\$32,164,700	1.010000	\$324,863	98.86	2014	99.60
2014	33,201,763	1.010000	335,338	97.74	2015	99.25
2015	38,141,110	1.010000	385,225	97.64	2016	99.29
2016	41,388,568	1.030000	426,302	99.28	2017	99.28
2017	43,988,879	1.050000	461,883	98.90	2018	98.94
2018	64,288,605	1.050000	675,030	(b)	2019	(b)

(a) See “- Tax Rate Distribution” below.

(b) In process of collection.

**Tax Rate Distribution**

	2018	2017	2016	2015	2014
Debt Service	\$0.860	\$0.280	\$0.390	\$0.415	\$0.000
Maintenance	<u>0.190</u>	<u>0.770</u>	<u>0.640</u>	<u>0.595</u>	<u>1.010</u>
Total	<u>\$1.050</u>	<u>\$1.050</u>	<u>\$1.030</u>	<u>\$1.010</u>	<u>\$1.010</u>

**Analysis of Tax Base**

The following table illustrates the District's total assessed value in the tax years 2014-2018 by type of property.

Type of Property	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation	2014 Assessed Valuation
Land	\$13,680,570	\$11,946,280	\$10,219,490	\$10,216,940	\$10,100,320
Improvements	51,729,120	32,858,890	31,849,660	28,525,870	23,625,280
Personal Property	344,680	235,900	202,850	187,160	188,630
Exemption	<u>(1,465,765)</u>	<u>(1,052,191)</u>	<u>(883,432)</u>	<u>(788,860)</u>	<u>(712,467)</u>
Total	\$64,288,605	\$43,988,879	\$41,388,568	\$38,141,110	\$33,201,763

*[Remainder of Page Intentionally Left Blank]*

## Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2018:

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll
Forestar (USA) Real Estate Group Inc.	Land	\$1,186,220
DR Horton –Texas Ltd.	Land, Improvements & Personal Property	959,660
Progress Residential 2014 – 1 Texas Borrower LLC	Land & Improvements	517,230
Fornaca Family Trust	Land & Improvements	416,830
AMH 2014 – 1 Borrow LLC	Land & Improvements	352,730
Élan Development LP (a)	Land	330,080
Homeowner	Land & Improvements	323,140
American Homes 4 Rent Properties Eight LLC	Land & Improvements	295,830
Homeowner	Land & Improvements	261,720
Centerpoint Energy Electric	Land & Improvements	<u>255,130</u>
<b>Total</b>		<b><u>\$4,898,570</u></b>
<b>% of Respective Tax Roll</b>		<b><u>7.62%</u></b>

(a) See “THE DEVELOPERS – The Developers.”

## Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2018 Assessed Valuation (\$64,288,605) and the Estimated Valuation as of November 1, 2018 (\$94,784,885). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements (2019-2043).....	\$496,383
Tax Rate of \$0.82 on the 2018 Assessed Valuation produces .....	\$500,808
Tax Rate of \$0.56 on the Estimated Valuation as of November 1, 2018 produces .....	\$504,256
Maximum Annual Debt Service Requirements (2039) .....	\$548,938
Tax Rate of \$0.90 on the 2018 Assessed Valuation produces .....	\$549,668
Tax Rate of \$0.61 on the Estimated Valuation as of November 1, 2018 produces .....	\$549,278

## Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2018 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see “TAX DATA – Debt Service Tax”). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions. All the land located within the District lies within the SPLID.

<u>Taxing Jurisdiction</u>	<u>2018 Tax Rate Per \$100 of Assessed Value</u>
The District	\$1.05000
Fort Bend County	0.46400 (a)
Fort Bend Independent School District	1.32000
Sienna Plantation Levee Improvement District	<u>0.45000</u>
Total 2018 Tax Rate for the District	<u>\$3.28400</u>

(a) Includes \$0.01900 for Fort Bend County Drainage District.

## THE SYSTEM

### General

The water, wastewater and drainage facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

### Description of the System

#### - Water Supply and Distribution -

The District currently operates and supplies all water service from Water Plant No. 1 and its remote water well. Water Plant No. 1 currently consists of an onsite well with a capacity of 475 gallons per minute (gpm), a remote water well with a capacity of 750 gpm, a 15,000 gallon hydro-pneumatic tank, a 318,000 gallon ground storage tank, and 2,200 gpm in booster pump capacity. The District currently has capacity to serve 750 equivalent single family connections (“ESFCs”).

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

#### - Wastewater Treatment and Conveyance System -

The District receives wastewater treatment capacity from a leased 160,000 gpd wastewater treatment plant (the “WWTP”) located within the District. Pursuant to an agreement between the District and AUC Group L.P., the District leases wastewater treatment plant facilities with current capacity to serve 507 ESFCs at 315 gpd/ESFC. In addition, an expansion of the WWTP of 240,000 gpd is currently under construction. Once completed, the WWTP will have 400,000 gpd and capacity to serve 1,270 ESFCs.

#### - Flood Protection and Drainage Facilities -

Storm water runoff within the District is directed along a curb and gutter street system to an internal storm sewer system comprised of collector lines designed to City of Alvin and Fort Bend County standards. The District’s storm water drainage outfalls into a detention pond, which outfalls into the Brazos River, and ultimately outfalls into the Gulf of Mexico.

Sienna Central Levee and Drainage System – The SPLID’s initial Plan of Reclamation covered the approximately 6,465 acres of land known as “Sienna Central.” The levee and related outfall structures and channels were completed in 1984. The District is not located in Sienna Central, and is not within the portion of the Brazos River floodplain protected by the SPLID levees and outfall facilities, however utilizes outfall capacity in the

SPLID system. A breach or overtopping of the SPLID levees would not result in flooding of the District. Nevertheless, a breach or overtopping of the SPLID levees could result in the flooding of developments adjacent to the District, which could negatively affect housing prices and taxable assessed valuations generally within the area of the SPLID, including the District. The information provided below in this section regarding the SPLID facilities is provided with respect to other areas of the SPLID, excluding the District.

According to the SPLID's Engineer, as a result of the construction of the facilities financed by the SPLID, all land located with Sienna Central was removed from the 100-year flood plain of the Brazos River. Such area located within the SPLID is now designated by the applicable Flood Hazard Boundary Map of the Federal Emergency Management Agency ("FEMA") as lying within a designated "Zone X," which designates an area protected from the 100-year flood event by a levee. As a result of the SPLID's construction of the levee, internal detention and drainage systems, the SPLID's Engineer has defined an "internal" 100-year flood plain. This flood plain is designated as below the lowest floor slab elevation for residential construction, as required by applicable federal regulations.

According to the SPLID's Engineer, the existing levee and drainage outfall system is sufficient to provide flood plain reclamation, flood protection and outfall drainage necessary to serve the existing development within Sienna Central, including the lots under development.

Federal Emergency Management Agency Study – FEMA commissioned a study to re-evaluate the "base flood elevation" (commonly referred to as the 100-year flood plain elevation) in Fort Bend County. The study has been concluded and the SPLID's levees meet the National Flood Insurance Program minimum requirements and have been certified as such. The revised Flood Insurance Rate Map panels reflect that the SPLID's levees protect the areas of the SPLID within the levees from the 1% annual chance flood (100-year event).

100-Year Flood Plain – As stated above, according to the SPLID's Engineer, the entirety of Sienna Central has been removed from the FEMA 100-year flood plain designation as a consequence of the construction of levee and drainage improvements financed by the SPLID. The "100-year flood plain" is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically having a one percent chance of occurring in any one year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance subsidies. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. If substantial or frequent flooding of homes were to occur in the SPLID, the marketing of homes and the future growth of property values in the District could be adversely affected.

Construction of Future Internal Drainage Facilities – The SPLID currently provides flood protection from overflows of the Brazos River to the majority of the land within the SPLID, excluding the District. The SPLID also provides detention and outfall drainage facilities to maintain internal water surface elevations in the developed areas below the 100-year flood plain. As additional development continues, the SPLID or the developers within the SPLID must construct additional drainage improvements to maintain these water surface elevations.

The SPLID will be required to issue additional debt to finance the internal drainage improvements within the SPLID. If the SPLID or the developers within the SPLID cannot or do not construct these additional facilities the amount of future development within the SPLID will be limited.

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## DISTRICT DEBT

### General

2018 Certified Assessed Valuation.....	\$64,288,605 (a)
See "TAX DATA" and "TAXING PROCEDURES."	
Estimated Valuation as of November 1, 2018 .....	\$94,784,885 (b)
See "TAX DATA" and "TAXING PROCEDURES."	
Direct Debt:	
Outstanding Bonds.....	\$2,270,000
The Bonds .....	<u>\$5,930,000</u>
Total.....	\$8,200,000
Estimated Overlapping Debt .....	\$4,085,473 (c)
Total Direct and Estimated Overlapping Debt .....	\$12,285,473
Direct Debt Ratio to:	
2018 Certified Assessed Valuation .....	12.75%
Estimated Valuation as of November 1, 2018.....	8.65%
Direct and Estimated	
Overlapping Debt Ratio:	
2018 Certified Assessed Valuation .....	19.11%
Estimated Valuation as of November 1, 2018.....	12.96%
Debt Service Fund Balance (as of November 27, 2018).....	\$148,197 (d)
General Fund Balance (as of November 27, 2018).....	\$1,832,658
Construction Fund Balance (as of November 27, 2018).....	\$66,311
2018 Tax Rate	
Debt Service .....	\$0.86
Maintenance & Operation .....	\$0.19
SPLID .....	<u>\$0.45 (e)</u>
Total.....	<u>\$1.50</u>
Average Annual Debt Service Requirements	
of the Bonds and the Outstanding Bonds (2019-2043) .....	\$496,383
Maximum Annual Debt Service Requirement	
of the Bonds and the Outstanding Bonds (2039) .....	\$548,938
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual	
Debt Service Requirements of the Bonds and the Outstanding Bonds	
(2019-2043) at 95% Tax Collections	
Based Upon 2018 Certified Assessed Valuation .....	\$0.82
Based Upon Estimated Valuation as of November 1, 2018.....	\$0.56
Tax Rate per \$100 of Assessed Valuation Required to Pay	
Maximum Annual Debt Service Requirement of the Bonds and the	
Outstanding Bonds (2039) at 95% Tax Collections	
Based Upon 2018 Certified Assessed Valuation .....	\$0.90
Based Upon Estimated Valuation as of November 1, 2018.....	\$0.61

- 
- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2018, provided by the Fort Bend Central Appraisal District (the "FBCAD" or the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by FBCAD for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of November 1, 2018, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2018 through November 1, 2018. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (e) The District is located within the boundaries of Sienna Plantation Levee Improvement District (the "SPLID"), and is subject to taxation by the SPLID. The SPLID levied a debt service tax of \$0.28 per \$100 of assessed valuation and a maintenance tax of \$0.17 per \$100 of assessed valuation. Thus, the combined tax rate of the SPLID and the District is \$1.50 per \$100 of assessed valuation.

**Debt Service Requirements**

The following sets forth the debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements on the Bonds.

Year Ending 12/31	Plus: The Bonds				
	Outstanding Debt Service	Principal	Interest	Total Debt Service	Total New Debt Service
2019	\$144,215	\$195,000	\$136,835	\$331,835	\$476,050
2020	147,915	140,000	222,875	362,875	510,790
2021	146,410	150,000	214,475	364,475	510,885
2022	149,800	155,000	205,475	360,475	510,275
2023	152,850	160,000	196,175	356,175	509,025
2024	150,610	170,000	186,575	356,575	507,185
2025	153,210	175,000	176,375	351,375	504,585
2026	155,660	180,000	166,750	346,750	502,410
2027	157,848	190,000	156,850	346,850	504,698
2028	159,760	200,000	151,150	351,150	510,910
2029	161,385	205,000	145,150	350,150	511,535
2030	162,710	215,000	139,000	354,000	516,710
2031	163,750	225,000	132,550	357,550	521,300
2032	164,581	235,000	125,800	360,800	525,381
2033	165,081	245,000	118,456	363,456	528,538
2034	165,238	255,000	110,494	365,494	530,731
2035	165,200	265,000	101,888	366,888	532,088
2036	169,800	275,000	92,613	367,613	537,413
2037	169,000	290,000	82,988	372,988	541,988
2038	173,000	300,000	72,838	372,838	545,838
2039	171,600	315,000	62,338	377,338	548,938
2040		325,000	51,313	376,313	376,313
2041		340,000	39,938	379,938	379,938
2042		355,000	27,188	382,188	382,188
2043		370,000	13,875	383,875	383,875
	<u>\$3,349,623</u>	<u>\$5,930,000</u>	<u>\$3,129,960</u>	<u>\$9,059,960</u>	<u>\$12,409,583</u>
Average Annual Debt Service Requirement: (2019-2043).....					\$496,383
Maximum Annual Debt Service Requirement: (2039) .....					\$548,938

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**Direct and Estimated Overlapping Debt Statement**

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

Taxing Jurisdiction	Debt as of December 31, 2018	Estimated Overlapping	
		Percent	Amount
Fort Bend County	\$593,424,527	0.10%	\$571,568
FBISD	1,000,633,767	0.16%	1,612,628
SPLID	104,400,000 (a)	1.82%	<u>1,901,277</u>
Total Estimated Overlapping Debt			\$4,085,473
The District			<u>\$8,200,000(b)</u>
Total Direct & Estimated Overlapping Debt			<u>\$12,285,473(b)</u>

(a) As of November 1, 2018.

(b) Includes the Bonds.

**Debt Ratios**

	% of 2018 Assessed Valuation	% of Estimated Valuation as of November 1, 2018
Direct Debt (a)	12.75%	8.65%
Direct and Estimated Overlapping Debt (a)	19.11%	12.96%

(a) Includes the Bonds.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order 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 is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

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

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



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

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

**General:** Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to \$3,000 of assessed value. Partially exempt to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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 at some or no cost to the veteran. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, 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 District has never adopted a general homestead exemption.

**Freeport Goods and Goods-in-Transit Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the

District does not have such an option. A “Goods-in-Transit Exemption” may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken action to allow taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

### **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 formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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 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.

From time to time the District may be subject to a natural disaster such as a hurricane, tornado, tropical storm or other adverse weather event severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See “INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster”. When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition of 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 sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll.

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

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

### **Agricultural, Open Space, Timberland and Inventory Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such

property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 such taxes for a period of three (3) years to five (5) years for agricultural use, timberland or open space land prior to the loss of the designation. As of January 1, 2018, no acres of land within the District were designated for agricultural use, open space or timberland.

### **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 February 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional twenty percent (20%) penalty for collection costs of a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Further, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

### **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 "TAX DATA - Estimated 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. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General" and "Tax Collections and Foreclosure Remedies."

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas, the City of Alvin, Texas (the "City of Alvin"), the Sienna Plantation Levee Improvement District (the "SPLID") or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Source of Payment"). The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the 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 property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Limitations to Registered Owners' Remedies" below.

### Factors Affecting Taxable Values and Tax Payments

**Economic Factors:** The rate of development within the District is directly related to the vitality of the residential housing industry in Fort Bend County, Texas. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. The economy of Fort Bend County and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent decreases in the price of oil and related products has the potential to negatively affect the economy of Fort Bend County and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in southeast Texas, Fort Bend County and the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in southeast Texas, Fort Bend County or the District. See "DEVELOPMENT WITHIN THE DISTRICT."

**Location and Access:** The District is located in southeast Fort Bend County, Texas, approximately 22 miles southwest of downtown Houston and is a relatively new development. Many of the mixed-use developments with which the District competes are in a more developed state and have lower tax rates. As a result, particularly during times of increased competition, the Developers (hereinafter defined) within the District may be at a competitive disadvantage to the developers in other mixed used projects located closer to major urban centers or in a more developed state. See "THE DISTRICT."

**Competition:** The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

The competitive position of the Developers (hereinafter defined) in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

**Developers Under No Obligation to the District:** The Developers (hereinafter defined) have each informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there

is no restriction on each Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of each Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPERS" and "DEVELOPMENT WITHIN THE DISTRICT."

**Impact on District Tax Rates:** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Assessed Valuation of property located within the District (see "TAX DATA") is \$64,288,605 and the Estimated Valuation as of November 1, 2018 is \$94,784,885. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$548,938 (2039) and the average annual debt service requirements will be \$496,383 (2019-2043, inclusive). Assuming no increase to, nor decrease from the 2018 Assessed Valuation of \$64,288,605, tax rates of \$0.90 and \$0.82 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to, nor decrease from the Estimated Valuation as of November 1, 2018 of \$94,784,885, tax rates of \$0.61 and \$0.56 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2018, the District levied a maintenance tax of \$0.19 per \$100 of assessed valuation and a debt service tax rate of \$0.86 per \$100 of assessed valuation.

**Flooding Due to Levee Breach or Overtopping:** Although the District is located within the boundaries of the SPLID, the District is not within the portion of the Brazos River floodplain protected by the SPLID levees and outfall facilities. A breach or overtopping of the SPLID levees would not result in flooding in the District. Nevertheless, a breach or overtopping of the SPLID levees could result in the flooding of developments adjacent to the District, which could negatively affect housing prices and taxable assessed valuations generally within the area of the SPLID, including the District. The information in this section regarding the SPLID facilities is provided with respect to other areas of the SPLID, excluding the District.

The SPLID's levee and drainage system (the "Sienna Levee") has been designed and constructed to all current standards. See "THE SYSTEM." However, the levee system does not protect against all flooding scenarios. There are three 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, 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% change 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. The 100-year event elevation for the Brazos River adjacent to the SPLID's levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to the SPLID's engineer, overtopping of the Sienna Levee system may occur from river events with a recurrence of less than 0.2% based on the effective FEMA models for the Brazos River in Fort Bend County.

In addition to the risk of overtopping, a portion of the SPLID 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. In order to mitigate the risk, the SPLID performs weekly inspections of the Sienna Levee to observe any visible deterioration of the Sienna Levee that is in need of repair.

### **Potential Impact of Natural Disaster**

The District is located near the Texas Gulf Coast (the "Coast"). As it has in the past, the Coast could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in

the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

### **Recent Extreme Weather Events**

The greater Houston area, including the District, 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.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast. The Houston area, including Fort Bend County, Texas, sustained widespread rain damage and flooding as a result of Hurricane Harvey's landfall, and historic levels of rainfall during the succeeding four days.

According to the Engineer (hereinafter defined), the District's water, sanitary sewer, and drainage facilities did not sustain any damage as a result of Hurricane Harvey, and there was no interruption of water and sewer service. Furthermore, according to the Developers and the Engineer, no homes in the District experienced flooding or structural damage. The District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event significantly damaged taxable property 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**

***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.

### **Reappraisal of Property**

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area.

For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

### **District Tax Levy and Overlapping District Taxes and Functions**

The entirety of the District is located within the SPLID, a levee improvement district that covers approximately 9,832 acres of land. The SPLID has constructed certain improvements to remove land within the SPLID, excluding the District, from the flood plain and to accommodate storm water drainage within the SPLID, including the District. As of December 1, 2018, the SPLID has \$104,400,000 principal amount of bonds outstanding. The principal of and interest on the SPLID bonds are payable from the proceeds of a continuing direct annual ad valorem property tax, without legal limit as to rate or amount, levied against all taxable property located within the SPLID, including the District. The SPLID levied a debt service tax of \$0.28 per \$100 of assessed valuation for 2018, plus a maintenance tax of \$0.17 per \$100 of assessed valuation, for a total 2018 tax of \$0.45 per \$100 of assessed valuation. Since the SPLID's debt is payable from an unlimited tax, the full and timely payment of such tax by the owners of property located within the SPLID will directly affect the SPLID's ability to meet its debt obligations. Furthermore, the absence of continued development and growth of taxable values in the SPLID or other factors could result in increases in the SPLID's tax rate.

The total combined tax rates of the District and the SPLID of \$1.50 per \$100 of assessed valuation is higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

In the event that the SPLID's debt service tax rate of \$0.28 per \$100 of assessed valuation, plus its maintenance tax of \$0.17 per \$100 of assessed valuation, prove to be insufficient to enable the SPLID to meet debt service requirements on its indebtedness and/or its maintenance and operating requirements, the SPLID would be required to increase its tax rate to a level sufficient to meet such requirements. The SPLID's 2018 assessed valuation is \$3,530,116,832.

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

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

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

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

The enforceability of the rights and remedies of Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal

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

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

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

A municipal utility district cannot be placed into bankruptcy involuntarily.

### **Environmental Regulations**

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

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

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

***Air Quality 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) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), 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 TCEQ renewed the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on December 13, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit impacts a much greater number of MS4s that were not previously subject to the MS4 Permit and contains more stringent requirements than the standards contained in the previous MS4 Permit. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop and implement the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the renewed MS4 Permit. The TCEQ has published notice of a proposed renewal of the Phase II (Small) MS4 Permit that is intended to be issued prior to the December 12, 2018 expiration date of the current MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers (“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 expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.”

Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. If the CWR is not rescinded and is ultimately upheld and goes into effect, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of the expanded scope of jurisdictional “waters of the United States” under the CWR.

Operations of utility districts, including the District, are also potentially 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.

### **Changes in Tax Legislation**

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax

purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

### **Marketability**

The District has no agreement with any purchaser of the Bonds 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**

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

### **Future Debt**

Following the issuance of the Bonds, the District will have \$36,675,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds authorized but unissued for the District's waterworks, wastewater and storm drainage system (the "System"), and such additional bonds as may hereafter be approved by the Board and voters of the District. The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following issuance of the Bonds, the District will still owe the Developers approximately \$1,800,000 for the reimbursable expenditures advanced to date to develop land within the District. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

### **Approval of the Bonds**

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

### **Annexation**

The District lies within the planning area of the extraterritorial jurisdiction ("ETJ") of the City of Alvin. Under Texas law, certain portions of the District may be annexed and dissolved by the City of Alvin only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City of Alvin must assume the District's assets and obligations (including the Bonds) within ninety (90) days of the date of annexation. Annexation of territory by the City of Alvin is a policy-making matter within the discretion of the Mayor and City Council of the City of Alvin, and therefore, the District makes no representation that the City of Alvin will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Alvin to make debt service payments should annexation occur. The Bond Order provides for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

## **Consolidation**

A district, such as the District, has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the waterworks, wastewater and drainage system, with the waterworks, wastewater and drainage system of district with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

## **LEGAL MATTERS**

### **Legal Proceedings**

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

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

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

### **No-Litigation Certificate**

The District will furnish to the initial purchaser of the Bonds (the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **No Material Adverse Change**

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

## **TAX MATTERS**

The delivery of Bonds is subject to an opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the gross income of the owners thereof for federal income tax purposes and (ii) will not be subject to the alternative minimum tax imposed on individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order 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 Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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.

### **Proposed Tax Legislation**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the

benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

The Tax Cuts and Jobs Act, which became law on December 22, 2017, repealed the provisions allowing for tax-exempt advance refundings, prohibiting any tax-exempt advance refunding bonds from being issued after December 31, 2017.

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

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

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

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

## **Qualified Tax-Exempt Obligations for Financial Institutions**

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

The District has designated the Bonds as "qualified tax-exempt obligations" and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the Issuer and entities aggregated with the Issuer under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the Issuer under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2019.

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District has not issued more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

### **Annual Reports**

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the heading "APPENDIX A." The District will update and provide this information within six months after the end of each fiscal year ending in or after 2018.

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

The District's fiscal year end is currently July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax- exempt status of the Bonds; (7) modifications to rights of beneficial owners of the

Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

### **Availability of Information**

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

In the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **OFFICIAL STATEMENT**

### **Preparation**

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: "THE DISTRICT" and "THE SYSTEM," – the Engineer; "THE DEVELOPERS" and "DEVELOPMENT WITHIN THE DISTRICT" - the Developers; "TAX DATA" – Tax Tech, Inc.; and "THE BONDS", "CONTINUING DISCLOSURE OF INFORMATION", "TAXING PROCEDURES", "LEGAL MATTERS" and "TAX MATTERS" – Sanford Kuhl Hagan Kugle Parker Kahn LLP.



## **Experts**

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

*The Engineer:* The information contained in the Official Statement relating to engineering matters 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 the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

*Tax Assessor/Collector and Appraisal District:* The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA" has been provided by the Utility Tax Services, Inc. and Fort Bend Central Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

## **Auditor**

The District's audited financial statements for the year ended July 31, 2017 were prepared by McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A". McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

## **Certification as to Official Statement**

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

## **Updating of Official Statement**

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

**Miscellaneous**

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 131, as of the date shown on the first page hereof.

\_\_\_\_\_  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 131

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 131

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2018**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**

**FORT BEND COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**JULY 31, 2018**



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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Fort Bend County Municipal Utility District No. 131  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 131 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

November 27, 2018



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 131's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$983,910 as of July 31, 2018.

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

A comparative analysis of government-wide changes in the Statement of Net Position is presented below:

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 2,270,127	\$ 1,620,683	\$ 649,444
Capital Assets (Net of Accumulated Depreciation)	<u>7,040,839</u>	<u>4,545,715</u>	<u>2,495,124</u>
Total Assets	<u>\$ 9,310,966</u>	<u>\$ 6,166,398</u>	<u>\$ 3,144,568</u>
Due to Developer	\$ 3,399,909	\$ 3,996,767	\$ 596,858
Long -Term Liabilities	2,288,254	2,346,009	57,755
Bond Anticipation Notes Payable	4,365,590	1,225,590	(3,140,000)
Other Liabilities	<u>241,123</u>	<u>78,437</u>	<u>(162,686)</u>
Total Liabilities	<u>\$ 10,294,876</u>	<u>\$ 7,646,803</u>	<u>\$ (2,648,073)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,836,370)	\$ (2,772,673)	\$ (63,697)
Restricted	276,053	263,683	12,370
Unrestricted	<u>1,576,407</u>	<u>1,028,585</u>	<u>547,822</u>
Total Net Position	<u>\$ (983,910)</u>	<u>\$ (1,480,405)</u>	<u>\$ 496,495</u>

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017. The District's net position increased by \$496,495, accounting for a 33.5% increase in net position. Comparative data is presented below.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 460,468	\$ 426,655	\$ 33,813
Charges for Services	1,265,460	611,564	653,896
Other Revenues	<u>29,336</u>	<u>15,078</u>	<u>14,258</u>
Total Revenues	<u>\$ 1,755,264</u>	<u>\$ 1,053,297</u>	<u>\$ 701,967</u>
Expenses for Services	<u>1,258,769</u>	<u>810,531</u>	<u>(448,238)</u>
Change in Net Position	\$ 496,495	\$ 242,766	\$ 253,729
Net Position, Beginning of Year	<u>(1,480,405)</u>	<u>(1,723,171)</u>	<u>242,766</u>
Net Position, End of Year	<u>\$ (983,910)</u>	<u>\$ (1,480,405)</u>	<u>\$ 496,495</u>



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

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

The District's combined fund balance as of July 31, 2018, was a deficit of \$2,353,546, a decrease of \$2,660,752 from the prior year.

The General Fund fund balance increased by \$544,267, primarily due to property tax revenues and service revenues exceeding operating and capital costs.

The Debt Service Fund increased by \$8,415, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$3,213,434, primarily due to developer reimbursements from the proceeds of the Series 2018 Bond Anticipation Note.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the fiscal year ended July 31, 2018. Actual revenues were \$830,984 more than budgeted revenues, primarily due to higher than anticipated revenues across all categories. Actual expenditures were \$295,067 more than budgeted expenditures, primarily due to higher than anticipated costs across all categories except contracted services and miscellaneous costs.

**CAPITAL ASSETS**

The District's capital assets as of July 31, 2018, amount to \$7,040,839 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 76,425	\$ 71,500	\$ 4,925
Construction in Progress	224,402		224,402
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,388,082	2,166,683	221,399
Wastewater System	1,857,009	1,083,676	773,333
Drainage System	2,494,921	1,223,856	1,271,065
Total Net Capital Assets	\$ 7,040,839	\$ 4,545,715	\$ 2,495,124

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2018**

**LONG-TERM DEBT ACTIVITY**

As of July 31, 2018, the District had total bond debt payable of 2,335,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 2,395,000
Less: Bond Principal Paid	<u>60,000</u>
Bond Debt Payable, July 31, 2018	<u>\$ 2,335,000</u>

The District's Series 2015 bonds do not carry an underlying rating or an insured rating.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 131, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2018**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 1,766,139	\$ 276,307
Receivables:		
Property Taxes	15,533	4,417
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,000)	83,955	
Due from Other Funds	5,000	28,555
Prepaid Costs	13,253	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<b>\$ 1,883,880</b>	<b>\$ 309,279</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 79,965	\$ 2,122,411	\$	\$ 2,122,411
	19,950		19,950
		5,322	5,322
	83,955		83,955
2,010	35,565	(35,565)	
	13,253	25,236	38,489
		76,425	76,425
		224,402	224,402
		<u>6,740,012</u>	<u>6,740,012</u>
<u>\$ 81,975</u>	<u>\$ 2,275,134</u>	<u>\$ 7,035,832</u>	<u>\$ 9,310,966</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JULY 31, 2018**

	General Fund	Debt Service Fund
<b>LIABILITIES</b>		
Accounts Payable	\$ 149,658	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	30,565	5,000
Security Deposits	35,750	
Bond Anticipation Notes Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 215,973</b>	<b>\$ 5,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	\$ 15,533	\$ 4,417
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 13,253	\$
Restricted for Authorized Construction		
Restricted for Debt Service		299,862
Assigned to 2019 Budget Deficit	2,736	
Unassigned	1,636,385	
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,652,374</b>	<b>\$ 299,862</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,883,880</b>	<b>\$ 309,279</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2,324	\$ 151,982	\$	\$ 151,982
19,843	19,843	33,548	53,391
		3,399,909	3,399,909
	35,565	(35,565)	
	35,750		35,750
4,365,590	4,365,590		4,365,590
		65,000	65,000
		<u>2,223,254</u>	<u>2,223,254</u>
<u>\$ 4,387,757</u>	<u>\$ 4,608,730</u>	<u>\$ 5,686,146</u>	<u>\$ 10,294,876</u>
<u>\$ -0-</u>	<u>\$ 19,950</u>	<u>\$ (19,950)</u>	<u>\$ -0-</u>
\$ (4,305,782)	\$ 13,253	\$ (13,253)	\$
	(4,305,782)	4,305,782	
	299,862	(299,862)	
	2,736	(2,736)	
	<u>1,636,385</u>	<u>(1,636,385)</u>	
<u>\$ (4,305,782)</u>	<u>\$ (2,353,546)</u>	<u>\$ 2,353,546</u>	<u>\$ - 0 -</u>
<u>\$ 81,975</u>	<u>\$ 2,275,134</u>		
		\$ (2,836,370)	\$ (2,836,370)
		276,053	276,053
		<u>1,576,407</u>	<u>1,576,407</u>
		<u>\$ (983,910)</u>	<u>\$ (983,910)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JULY 31, 2018**

Total Fund Balances - Governmental Funds		\$ (2,353,546)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid lease payments funded by the developer are not financial resources and therefore are not reported as an asset in the governmental funds.		25,236
Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		7,040,839
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		25,272
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Due to Developer	\$ (3,399,909)	
Accrued Interest Payable	(33,548)	
Bonds Payable	<u>(2,288,254)</u>	<u>(5,721,711)</u>
Total Net Position - Governmental Activities		<u>\$ (983,910)</u>

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

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JULY 31, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 285,788	\$ 169,026
Water Service	132,070	
Wastewater Service	253,616	
Regional Water Authority Fees	90,730	
Penalty and Interest	14,076	1,172
Tap Connection and Inspection Fees	772,440	
Investment Revenues	8,109	576
Miscellaneous Revenues	19,955	
<b>TOTAL REVENUES</b>	<b>\$ 1,576,784</b>	<b>\$ 170,774</b>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 187,816	\$ 12
Contracted Services	111,433	13,818
Utilities	39,000	
Regional Water Authority Assessment	103,118	
Repairs and Maintenance	158,808	
Depreciation		
Other	280,251	7,414
Capital Outlay	152,091	
Debt Service:		
Bond Anticipation Note Interest		
Bond Anticipation Note Issuance Costs		
Bond Principal		60,000
Bond Interest		81,115
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,032,517</b>	<b>\$ 162,359</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 544,267</b>	<b>\$ 8,415</b>
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES (DEFICIT)/NET POSITION - AUGUST 1, 2017</b>	<b>1,108,107</b>	<b>291,447</b>
<b>FUND BALANCES (DEFICIT)/NET POSITION - JULY 31, 2018</b>	<b>\$ 1,652,374</b>	<b>\$ 299,862</b>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 454,814	\$ 5,654	\$ 460,468
	132,070		132,070
	253,616		253,616
	90,730		90,730
	15,248	1,356	16,604
	772,440		772,440
696	9,381		9,381
	19,955		19,955
\$ 696	\$ 1,748,254	\$ 7,010	\$ 1,755,264
\$	\$ 187,828	\$	\$ 187,828
	125,251		125,251
	39,000		39,000
	103,118		103,118
	158,808		158,808
		178,431	178,431
199	287,864		287,864
3,118,322	3,270,413	(3,270,413)	
19,843	19,843		19,843
75,766	75,766		75,766
	60,000	(60,000)	
	81,115	1,745	82,860
\$ 3,214,130	\$ 4,409,006	\$ (3,150,237)	\$ 1,258,769
\$ (3,213,434)	\$ (2,660,752)	\$ 2,660,752	\$
		496,495	496,495
(1,092,348)	307,206	(1,787,611)	(1,480,405)
\$ (4,305,782)	\$ (2,353,546)	\$ 1,369,636	\$ (983,910)

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ (2,660,752)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 5,654

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. 1,356

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (178,431)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 3,270,413

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments are reported as decreases in long-term liabilities. 60,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (1,745)

Change in Net Position - Governmental Activities \$ 496,495

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 1. CREATION OF DISTRICT**

Fort Bend County Municipal Utility District No. 131 (the “District”) was created effective March 11, 2002 by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on March 14, 2002, and the first bonds were issued on May 27, 2015.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2018, the General Fund owes the Capital Projects Fund \$2,010 for an excess transfer of Bond Anticipation Note proceeds in a previous year, the General Fund owes the Debt Service Fund \$28,255 for an excess transfer of maintenance tax collections and the Debt Service Fund owes the General Fund \$5,000 for arbitrage costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$15,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Storm Drainage System	10-45
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the year ended July 31, 2018.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered to be “employees” for federal payroll tax purposes only.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Measurement Focus

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

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

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

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

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

*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. As of July 31, 2018, the District has assigned \$2,736 of the General Fund fund balance for a projected budget deficit for the year ending July 31, 2019.

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

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



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Accounting Estimates

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

**NOTE 3. LONG-TERM DEBT**

	Series 2015
Amounts Outstanding – July 31, 2018	\$2,335,000
Interest Rates	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2039
Interest Payment Dates	September 1/March 1
Callable Dates	September 1, 2023*

\* Bonds maturing on or after this date are subject to being called at par value plus accrued interest from the most recent integral payment date to the date fixed for redemption. Series 2015 term bonds maturing September 1, 2034, and September 1, 2039, are subject to mandatory redemption beginning September 1, 2033, and September 1, 2035, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2018:

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 2,395,000	\$	\$ 60,000	\$ 2,335,000
Unamortized Discounts	(48,991)		(2,245)	(46,746)
Bonds Payable, Net	\$ 2,346,009	\$ -0-	\$ 57,755	\$ 2,288,254
		Amount Due Within One Year		\$ 65,000
		Amount Due After One Year		2,223,254
		Bonds Payable, Net		\$ 2,288,254

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

As of July 31, 2018, the District had authorized but unissued tax bonds in the amount of \$42,605,000 and refunding bonds authorization of \$67,500,000. As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 65,000	\$ 79,865	\$ 144,865
2020	65,000	78,565	143,565
2021	70,000	77,163	147,163
2022	70,000	75,605	145,605
2023	75,000	73,825	148,825
2024-2028	430,000	333,633	763,633
2029-2033	550,000	252,347	802,347
2034-2038	685,000	135,777	820,777
2039-2040	325,000	13,100	338,100
	<u>\$ 2,335,000</u>	<u>\$ 1,119,880</u>	<u>\$ 3,454,880</u>

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

During the year ended July 31, 2018, the District levied an ad valorem debt service tax rate of \$0.39 per \$100 of assessed valuation, which resulted in a tax levy of \$171,603 on the adjusted taxable valuation of \$44,000,879 for the 2017 tax year. The bond order and bond resolution require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

- A. The bond order states the District will maintain insurance on the system of a kind and in amount which usually would be carried by private companies engaged in a similar type of business, but considering any governmental immunities to which the District may be entitled.
- B. The bond order states that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,122,411 and the bank balance was \$2,185,928. At fiscal year end, the District was exposed to custodial credit risk due to a bank error in not having adequate collateral pledged for one of the District’s bank accounts. Subsequent to year end, the bank corrected the error and adequate collateral was pledged for the account.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2018, as listed below:

	Cash
GENERAL FUND	\$ 1,766,139
DEBT SERVICE FUND	276,307
CAPITAL PROJECTS FUND	79,965
TOTAL DEPOSITS	\$ 2,122,411

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of July 31, 2018, the District did not have any investments.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended July 31, 2018:

	August 1, 2017	Increases	Decreases	July 31, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 71,500	\$ 4,925	\$	\$ 76,425
Construction in Progress		2,673,555	2,449,153	224,402
<b>Total Capital Assets Not Being Depreciated</b>	<u>\$ 71,500</u>	<u>\$ 2,678,480</u>	<u>\$ 2,449,153</u>	<u>\$ 300,827</u>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,217,819	\$ 311,588	\$	\$ 3,529,407
Wastewater System	1,352,066	814,338		2,166,404
Drainage System	1,542,591	1,318,302		2,860,893
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 6,112,476</u>	<u>\$ 2,444,228</u>	<u>\$ - 0 -</u>	<u>\$ 8,556,704</u>
<b>Less Accumulated Depreciation</b>				
Water System	\$ 1,051,136	\$ 90,189	\$	\$ 1,141,325
Wastewater System	268,390	41,005		309,395
Drainage System	318,735	47,237		365,972
<b>Total Accumulated Depreciation</b>	<u>\$ 1,638,261</u>	<u>\$ 178,431</u>	<u>\$ - 0 -</u>	<u>\$ 1,816,692</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,474,215</u>	<u>\$ 2,265,797</u>	<u>\$ - 0 -</u>	<u>\$ 6,740,012</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 4,545,715</u>	<u>\$ 4,944,277</u>	<u>\$ 2,449,153</u>	<u>\$ 7,040,839</u>

**NOTE 7. MAINTENANCE TAX**

On September 14, 2002, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.25 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.66 per \$100 of assessed valuation, which resulted in a tax levy of \$290,406 on the taxable valuation of \$44,000,879 for the 2017 tax year.

**NOTE 8. UNREIMBURSED COSTS**

The District has executed facilities and operating costs reimbursement agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds. As of July 31, 2018, the developers within the District indicated that approximately \$3,308,409 had been expended on behalf of the District in relation to these agreements for projects that have been completed. This liability has been recorded in the Statement of Net Position. Reimbursement is contingent on the future sale of bonds.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 8. UNREIMBURSED COSTS (Continued)**

The agreements also call for the developers to fund operating costs of the District. To date, the developers have advanced a total of \$91,500. These amounts have not been repaid by the District. This liability has been recorded in the Statement of Net Position.

**NOTE 9. ECONOMIC DEPENDENCY/DEFICIT FUND BALANCE**

The District's developers own a substantial portion of the taxable property within the District. The developers' ability to make full and timely payments of taxes could directly affect the District's ability to meet its financial obligations.

The District has recorded a deficit fund balance in the Capital Projects Fund of \$4,305,782. This deficit was incurred as a result of the District issuing a Bond Anticipation Note (BAN) in a prior fiscal year, as well as issuing an additional BAN in the current fiscal year. The amounts due on the BANs are recorded as a current liability of the Capital Projects Fund. A portion of the first BAN was repaid during a prior fiscal year. See Note 12. Upon the approval and sale of additional bonds, the District expects the deficit to be alleviated.

**NOTE 10. OPERATING LEASE – INTERIM WASTEWATER TREATMENT PLANT**

On March 23, 2004, and as amended on July 25, 2007, the District entered into a 36-month lease agreement to lease an 160,000 gallon per day prepackaged wastewater treatment plant commencing on the first day of the month following substantial completion of the installation and start up of the leased equipment. Substantial completion occurred in March, 2006, with lease payments commencing April 1, 2006. The installation of the leased equipment was completed at a cost of \$38,625, which cost was paid by a developer within the District. The monthly lease payments are \$6,863 with interest accruing at 8% on the unpaid balance. Upon payment of each monthly lease payment, 4,444 gallons per day sewage treatment capacity will be reserved for the District's sole use and benefit. After the initial 36-month lease has ended, the District may extend the lease on a month to month basis at \$4,700 per month. The agreement includes a purchase option whereby the District can purchase the plant at any time in accordance with the provisions outlined in the agreement. The District is responsible for insuring the leased property.

On December 18, 2007 the District amended the lease agreement to extend the terms of the agreement by sixty months, with lease payments commencing on January 1, 2008. The monthly lease payments are \$3,525 for 36 months and \$4,700 for 24 months thereafter. Monthly lease payment, effective January 1, 2013, shall be \$3,200 for any additional months beyond the sixty-month extension. The District does not intend to purchase the plant. During the current fiscal year, the District recorded \$38,400 of payments per this lease.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 10. OPERATING LEASE – INTERIM WASTEWATER TREATMENT PLANT (Continued)**

On August 22, 2017, the District amended the lease agreement to extend the terms of the agreement by sixty months to add additional leased equipment. The amendment calls for monthly lease payments of \$14,875 for 36 months and \$18,900 for 24 months thereafter. The District may extend the lease on a month to month basis at \$17,100 per month. No lease payments have yet been made per this amendment. On February 13, 2018, the District amended the lease agreement to add a natural gas generator and automatic transfer switch. The amendment calls for monthly lease payments of \$880 per month. No lease payments have yet been made per this amendment.

**NOTE 11. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from prior years and no settlements have exceeded coverage in the past three years.

**NOTE 12. SALE OF BOND ANTICIPATION NOTES**

On September 12, 2006, the District closed the sale of its \$1,779,510 Series 2006 Bond Anticipation Note (BAN) to Frost National Bank, N.A. (FNB). Proceeds of the BAN sale were used to reimburse developers within the District seventy percent (70%) of the construction costs of the water, sewer and drainage facilities to serve Southern Colony, Section 1, a portion of the construction cost of the Southern Colony water plant no. 1 phase 1, the construction cost of the Southern Colony lift station no. 1 and forcemain, and the construction cost of the Southern Colony wastewater treatment plant phase 1. In addition, a portion of the proceeds were used to pay engineering costs on the above listed projects and to fund a portion of the creation costs previously paid by the developers. On September 11, 2007, the District closed the sale of its \$1,872,173 Series 2007 Refunding Bond Anticipation Note to FNB. Proceeds of the BAN were used to reimburse the Series 2006 BAN. On March 18, 2008, the District closed the sale of its \$1,924,961 Series 2008 Refunding Bond Anticipation Note to FNB. Proceeds of the BAN were used to reimburse the Series 2007 Refunding BAN. On September 23, 2008, the District closed the sale of its \$1,977,714 Series 2008A Refunding Bond Anticipation Note to FNB. Proceeds of the BAN were used to reimburse the Series 2008 Refunding BAN. Interest on the BAN is to be computed at the rate of 7.23%. FNB and the District have filed a Joint Motion for Entry of Agreed Final Judgment in the 268<sup>th</sup> Judicial Court of Fort Bend County, Texas whereupon a Writ of Mandamus will be issued directing the District to file a bond application and request TCEQ approval of a bond issue, at such time as there is sufficient growth in taxable value to pay FNB \$2,415,590 for the Series 2008A Refunding BAN and all liabilities to FNB. The Agreed Final Judgment was entered into on October 31, 2011. On June 17, 2014, FNB sold and conveyed the rights to the Series 2008A Refunding BAN to Elan Development, L.P. During a previous fiscal year, the District issued bonds and paid \$1,190,000 of the outstanding balance of the BAN. The remaining balance owed is \$1,225,590.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 12. SALE OF BOND ANTICIPATION NOTES (Continued)**

On May 1, 2018, the closed on the sale of its \$3,140,000 Series 2018 Bond Anticipation Note (2018 BAN). Proceeds from the 2018 BAN were used to reimburse a developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Southern Colony, Sections 1, 2A, 2B, and 3A and costs for the Southern Colony Remote Water Well. Additional proceeds were used to pay issuance costs. The 2018 BAN is expected to be redeemed with proceeds from the sale of bonds in January 2019.

**NOTE 13. WASTEWATER TREATMENT FACILITIES AGREEMENT**

Effective January 24, 2007, the District entered into a Wastewater Treatment Facilities Agreement (“Agreement”) with a developer acting on behalf of Fort Bend County Municipal Utility District No. 189 (District No. 189). Each District is responsible for the construction and maintenance of its own sanitary sewer collection system necessary to deliver waste to the plant. The District will maintain title to the plant and each district will have an undivided, equitable interest in the plant, plant site and rate capacity. Each district will be responsible for its pro rata share of any expansion costs. Upon District No. 189 acquiring capacity in the plant, the District will establish a special revenue fund to account for the activities of the joint wastewater treatment plant. The District will operate the plant and will bill fixed and variable costs according to the terms of the Agreement. The Agreement is in effect for a period of 50 years from the effective date. The construction of the plant commenced in the current fiscal year and is expected to be completed in the 2019 fiscal year.

**NOTE 14. EMERGENCY WATER INTERCONNECT AGREEMENT**

Effective March 28, 2007, and amended on May 27, 2008, and December 31, 2008, the District entered into an Emergency Water Interconnect Agreement (“Agreement”) with a developer acting on behalf of Fort Bend County Municipal Utility District No. 189 (District No. 189). Under the terms of this agreement, District No. 189’s developer will construct the lines necessary to connect to the District’s water distribution system at the point of connection. Each District will operate, maintain and repair the lines on its side of the interconnect valve. Water will be supplied to the district experiencing an emergency on a temporary basis at a cost of \$0.50 per 1,000 gallons of water supplied through the point of interconnect plus any pumpage fees incurred by the supplying district. The term of this Agreement is 40 years.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**NOTE 15. GROUNDWATER REDUCTION PLAN PARTICIPATION AGREEMENT**

On July 22, 2008, the District entered into a Groundwater Reduction Plan Participation Agreement with the North Fort Bend Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by Senate Bill 1798 (the “Act”), as passed by the 79th Texas Legislature, in 2005. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater and for the reduction of groundwater withdrawals.

The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

The District is considered a “Contract Member” of the Authority. The District does not lie within the Authority’s boundaries and is not entitled to vote for any director of the Authority.

The District agrees to pay the Authority a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The current fee being charged is \$3.35 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$103,118 for fees assessed during the current fiscal year.

The term of the agreements is 40 years and shall automatically renew for successive five year periods, unless either party gives the other party at least 180 days prior written notice of its intent to terminate.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JULY 31, 2018**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JULY 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 260,000	\$ 285,788	\$ 25,788
Water and Wastewater Service	285,000	385,686	100,686
Regional Water Authority Fee	50,000	90,730	40,730
Penalty and Interest		14,076	14,076
Tap Connection and Inspection Fees	150,000	772,440	622,440
Investment Revenues	800	8,109	7,309
Miscellaneous Revenues		19,955	19,955
<b>TOTAL REVENUES</b>	<b>\$ 745,800</b>	<b>\$ 1,576,784</b>	<b>\$ 830,984</b>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 116,750	\$ 187,816	\$ (71,066)
Contracted Services	136,400	111,433	24,967
Utilities	35,000	39,000	(4,000)
Regional Water Authority Assessment	50,000	103,118	(53,118)
Repairs and Maintenance	106,800	158,808	(52,008)
Other	292,500	280,251	12,249
Capital Outlay		152,091	(152,091)
<b>TOTAL EXPENDITURES</b>	<b>\$ 737,450</b>	<b>\$ 1,032,517</b>	<b>\$ (295,067)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 8,350</b>	<b>\$ 544,267</b>	<b>\$ 535,917</b>
<b>FUND BALANCE - AUGUST 1, 2017</b>	<b>1,108,107</b>	<b>1,108,107</b>	
<b>FUND BALANCE - JULY 31, 2018</b>	<b>\$ 1,116,457</b>	<b>\$ 1,652,374</b>	<b>\$ 535,917</b>

See accompanying independent auditor's report.

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**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**JULY 31, 2018**



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order approved on January 26, 2016.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$24.89	10,000	N	\$2.75	10,001 and up
WASTEWATER:	\$47.88*	10,000	N	\$2.75	10,001 and up
SURCHARGE:					
Regional Water Authority Fees	110% of the fee charged by Authority				

District employs winter averaging for wastewater usage? \_\_\_\_\_   X    
Yes                      No

Total monthly charges per 10,000 gallons usage: Water: \$24.89 Wastewater: \$47.88 Surcharge: \$36.90

\* Includes \$20.38 for garbage service.

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>604</u>	<u>598</u>	x 1.0	<u>598</u>
1"	<u>4</u>	<u>3</u>	x 2.5	<u>8</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>7</u>	<u>7</u>	x 8.0	<u>56</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>617</u></u>	<u><u>610</u></u>		<u><u>672</u></u>
Total Wastewater Connections	<u><u>608</u></u>	<u><u>601</u></u>	x 1.0	<u><u>601</u></u>

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

Gallons pumped into system:	32,615,000	Water Accountability Ratio: 91.7 % (Gallons billed/Gallons pumped)
Gallons billed to customers:	29,909,000	

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
SERVICES AND RATES  
FOR THE YEAR ENDED JULY 31, 2018**

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

Does the District have Debt Service standby fees? Yes \_\_\_ No X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

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

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

ETJ in which District is located:

City of Alvin, Texas.

Are Board Members appointed by an office outside the District?

Yes \_\_\_\_\_ No X

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED JULY 31, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 12,000
Engineering	57,053
Legal	<u>118,763</u>
TOTAL PROFESSIONAL FEES	<u>\$ 187,816</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,233
Operations and Billing	<u>31,744</u>
TOTAL CONTRACTED SERVICES	<u>\$ 44,977</u>
UTILITIES:	
Electricity and Telephone	<u>\$ 39,000</u>
REPAIRS AND MAINTENANCE	<u>\$ 158,808</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 6,750
Election Costs	4,664
Insurance	11,028
Lease Payments	38,400
Legal Notices	408
Office Supplies and Postage	25,949
Payroll Taxes	356
Travel and Meetings	182
Other	<u>11,701</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 99,438</u>
CAPITAL OUTLAY	<u>\$ 152,091</u>
TAP CONNECTIONS	<u>\$ 100,289</u>
SOLID WASTE DISPOSAL	<u>\$ 66,456</u>
OTHER EXPENDITURES:	
Chemicals	\$ 2,659
Laboratory Fees	17,226
Permit Fees	1,912
Inspection Fees	49,127
Regional Water Authority Assessment	103,118
Regulatory Assessment	1,814
Sludge Hauling	<u>7,786</u>
TOTAL OTHER EXPENDITURES	<u>\$ 183,642</u>
TOTAL EXPENDITURES	<u><u>\$ 1,032,517</u></u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	\$	11,978	\$	2,318
Adjustments to Beginning				
Balance		<u>(1,063)</u>		<u>(478)</u>
	\$	10,915	\$	1,840
Original 2017 Tax Levy	\$	287,024	\$	169,605
Adjustment to 2017 Tax Levy		<u>3,382</u>		<u>1,998</u>
		290,406		171,603
TOTAL TO BE				
ACCOUNTED FOR		\$	\$	173,443
		301,321		
TAX COLLECTIONS:				
Prior Years	\$	(1,033)	\$	(459)
Current Year		<u>286,821</u>		<u>169,485</u>
		285,788		169,026
TAXES RECEIVABLE -				
JULY 31, 2018		<u>\$</u>	<u>\$</u>	<u>4,417</u>
		15,533		4,417
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	3,585	\$	2,118
2016		1,918		1,169
2015		1,621		1,130
2014		2,501		
2013		1,029		
2012		938		
2011		932		
2010		978		
2009		975		
2008		<u>1,056</u>		
TOTAL	\$	<u>15,533</u>	\$	<u>4,417</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED JULY 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PROPERTY VALUATIONS:</b>				
Land	\$ 11,946,280	\$ 10,219,490	\$ 10,216,940	\$ 10,100,320
Improvements	33,228,490	31,866,130	28,620,920	23,657,190
Personal Property	235,900	202,850	187,160	188,630
Exemptions	<u>(1,409,791)</u>	<u>(855,490)</u>	<u>(788,860)</u>	<u>(712,467)</u>
<b>TOTAL PROPERTY VALUATIONS</b>	<u>\$ 44,000,879</u>	<u>\$ 41,432,980</u>	<u>\$ 38,236,160</u>	<u>\$ 33,233,673</u>
<b>TAX RATES PER \$100 VALUATION:</b>				
Debt Service	\$ 0.39	\$ 0.39	\$ 0.415	\$ 0.00
Maintenance	<u>0.66</u>	<u>0.64</u>	<u>0.595</u>	<u>1.01</u>
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<u>\$ 1.05</u>	<u>\$ 1.03</u>	<u>\$ 1.01</u>	<u>\$ 1.01</u>
<b>ADJUSTED TAX LEVY*</b>	<u>\$ 462,009</u>	<u>\$ 426,760</u>	<u>\$ 386,185</u>	<u>\$ 335,660</u>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<u>98.77 %</u>	<u>99.28 %</u>	<u>99.29 %</u>	<u>99.25 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.25 per \$100 of assessed valuation approved by voters on September 14, 2002.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**JULY 31, 2018**

S E R I E S - 2 0 1 5			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 65,000	\$ 79,865	\$ 144,865
2020	65,000	78,565	143,565
2021	70,000	77,163	147,163
2022	70,000	75,605	145,605
2023	75,000	73,825	148,825
2024	80,000	71,730	151,730
2025	80,000	69,410	149,410
2026	85,000	66,935	151,935
2027	90,000	64,254	154,254
2028	95,000	61,304	156,304
2029	100,000	58,072	158,072
2030	105,000	54,548	159,548
2031	110,000	50,730	160,730
2032	115,000	46,666	161,666
2033	120,000	42,331	162,331
2034	125,000	37,659	162,659
2035	130,000	32,718	162,718
2036	135,000	27,500	162,500
2037	145,000	21,900	166,900
2038	150,000	16,000	166,000
2039	160,000	9,800	169,800
2040	165,000	3,300	168,300
	\$ 2,335,000	\$ 1,119,880	\$ 3,454,880

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds - Series 2015	<u>\$ 2,395,000</u>	<u>\$ 2,395,000</u>
Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 45,000,000	\$ 67,500,000
Amount Issued	2,395,000	
Remaining to be Issued	\$ 42,605,000	\$ 67,500,000
Debt Service Fund cash, investments and cash with paying agent balances as of July 31, 2018:		<u>\$ 276,307</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 157,040</u>

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

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ -0-</u>	<u>\$ 60,000</u>	<u>\$ 81,115</u>	<u>\$ 2,335,000</u>	Regions Bank Houston, TX

See accompanying independent auditor's report.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 285,788	\$ 268,215	\$ 228,145
Water Service	132,070	97,858	78,472
Wastewater Service	253,616	166,881	145,273
Regional Water Authority Fee	90,730	72,549	54,845
Penalty and Interest	14,076	11,096	9,609
Tap Connection and Inspection Fees	772,440	258,788	
Investment Revenues	8,109	1,698	931
Miscellaneous Revenues	19,955	12,784	9,480
<b>TOTAL REVENUES</b>	<b>\$ 1,576,784</b>	<b>\$ 889,869</b>	<b>\$ 526,755</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 187,816	\$ 113,825	\$ 59,114
Contracted Services	111,433	96,173	91,109
Utilities	39,000	35,083	37,353
Regional Water Authority Assessment	103,118	73,040	61,575
Repairs and Maintenance	158,808	64,686	77,762
Other	280,251	145,953	93,149
Capital Outlay	152,091		
Capital Lease Principal			
Capital Lease Interest			
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,032,517</b>	<b>\$ 528,760</b>	<b>\$ 420,062</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 544,267</b>	<b>\$ 361,109</b>	<b>\$ 106,693</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 544,267</b>	<b>\$ 361,109</b>	<b>\$ 106,693</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,108,107</b>	<b>746,998</b>	<b>640,305</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 1,652,374</b>	<b>\$ 1,108,107</b>	<b>\$ 746,998</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 343,674	\$ 324,292	18.0 %	30.1 %	43.3 %	53.6 %	51.2 %
77,962	80,814	8.4	11.0	14.9	12.2	12.8
145,741	136,187	16.1	18.8	27.6	22.7	21.5
40,623	38,630	5.8	8.2	10.4	6.3	6.1
21,766	15,072	0.9	1.2	1.8	3.4	2.4
	28,109	49.0	29.1			4.4
665	559	0.5	0.2	0.2	0.1	0.1
11,219	9,767	1.3	1.4	1.8	1.7	1.5
<u>\$ 641,650</u>	<u>\$ 633,430</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 78,616	\$ 91,011	11.9 %	12.8 %	11.2 %	12.3 %	14.4 %
101,762	88,640	7.1	10.8	17.3	15.9	14.0
41,042	37,701	2.5	3.9	7.1	6.4	6.0
54,854	34,107	6.5	8.2	11.7	8.5	5.4
59,106	109,383	10.1	7.3	14.8	9.2	17.3
98,979	91,827	17.8	16.4	17.7	15.4	14.5
		9.6				
53,906	56,017				8.4	8.8
51,208	63,760				8.0	10.1
<u>\$ 539,473</u>	<u>\$ 572,446</u>	<u>65.5 %</u>	<u>59.4 %</u>	<u>79.8 %</u>	<u>84.1 %</u>	<u>90.5 %</u>
<u>\$ 102,177</u>	<u>\$ 60,984</u>	<u>34.5 %</u>	<u>40.6 %</u>	<u>20.2 %</u>	<u>15.9 %</u>	<u>9.5 %</u>
<u>\$ 10,500</u>	<u>\$ -0-</u>					
\$ 112,677	\$ 60,984					
527,628	466,644					
<u>\$ 640,305</u>	<u>\$ 527,628</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - FIVE YEARS**

	Amount		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 169,026	\$ 163,883	\$ 154,025
Penalty and Interest	1,172	4,863	4,368
Interest on Investments	576	456	281
<b>TOTAL REVENUES</b>	<b>\$ 170,774</b>	<b>\$ 169,202</b>	<b>\$ 158,674</b>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 20,438	\$ 16,550	\$ 18,272
Debt Service Principal	60,000		
Debt Service Interest and Fees	81,921	82,521	63,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 162,359</b>	<b>\$ 99,071</b>	<b>\$ 81,272</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 8,415</b>	<b>\$ 70,131</b>	<b>\$ 77,402</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	\$ -0-	\$ -0-	\$ -0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 8,415</b>	<b>\$ 70,131</b>	<b>\$ 77,402</b>
<b>BEGINNING FUND BALANCE</b>	291,447	221,316	143,914
<b>ENDING FUND BALANCE</b>	<b>\$ 299,862</b>	<b>\$ 291,447</b>	<b>\$ 221,316</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	610	353	260
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	601	347	258

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$	\$	99.0 %	96.8 %	97.0 %	%	%
		0.7	2.9	2.8		
<u>41</u>		<u>0.3 %</u>	<u>0.3 %</u>	<u>0.2 %</u>	<u>100.0 %</u>	<u>%</u>
\$ <u>41</u>	\$	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>%</u>
\$ 36	\$	12.0 %	9.8 %	11.5 %	87.8 %	%
		35.1				
		<u>48.0</u>	<u>48.8</u>	<u>39.7</u>		
\$ <u>36</u>	\$	<u>95.1 %</u>	<u>58.6 %</u>	<u>51.2 %</u>	<u>87.8 %</u>	<u>%</u>
\$ 5	\$	<u>4.9 %</u>	<u>41.4 %</u>	<u>48.8 %</u>	<u>12.2 %</u>	<u>N/A %</u>
\$ <u>143,909</u>	\$					
\$ 143,914	\$					
\$ <u>143,914</u>	\$ <u>N/A</u>					
<u>259</u>	<u>257</u>					
<u>255</u>	<u>255</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2018**

District Mailing Address - Fort Bend County Municipal Utility District No. 131  
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP  
1980 Post Oak Blvd., Suite 1380  
Houston, TX 77056

District Telephone Number - (713) 850-9000

<b>Board Members:</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended July 31, 2018</u>	<u>Expense Reimbursements for the year ended July 31, 2018</u>	<u>Title</u>
Jennifer Jacobs	05/2018 05/2022 (Elected)	\$ 600	\$ -0-	President
Leslie Smith-Boards	05/2018 05/2022 (Elected)	\$ 600	\$ -0-	Vice President
Gregory Eknoyan	05/2016 05/2020 (Elected)	\$ 1,050	\$ -0-	Secretary/ Treasurer
Curtis R. Campbell	05/2016 05/2020 (Elected)	\$ 1,050	\$ -0-	Assistant Secretary/ Treasurer
Risha Miller	05/2018 05/2022 (Elected)	\$ 600	\$ -0-	Assistant Secretary/ Treasurer

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
May 24, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 24, 2018. Fees of Office are the amounts actually paid to a Director during the District's fiscal year.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**JULY 31, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2018</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/26/10	\$ 123,065 \$ 12 \$ 35,866	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/23/06	\$ 12,000 \$ 7,000	Auditor Bond Related
Myrtle Cruz, Inc.	07/24/02	\$ 15,995	Bookkeeper
LJA Engineering & Surveying, Inc.	03/14/02	\$ 129,365	Engineer
Robert W. Baird & Co., Incorporated	01/27/15	\$ 31,400	Financial Advisor
Mary Jarmon	07/24/02	\$ -0-	Investment Officer
SiEnvironmental	06/10/12	\$ 343,909	Operator
Tax Tech, Inc.	08/23/05	\$ 10,274	Tax Assessor/ Collector

See accompanying independent auditor's report.



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





## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100