

OFFICIAL STATEMENT DATED JUNE 25, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” and “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations” herein.

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) “AA”

\$5,670,000

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 3A

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

UNLIMITED TAX BONDS

SERIES 2019

Dated: July 1, 2019

Due: September 1, as shown on inside cover

The \$5,670,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”), are obligations of Fulshear Municipal Utility District No. 3A (the “District”) and are not obligations of the State of Texas; Fort Bend County, Texas; Waller County, Texas; the City of Fulshear, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Fort Bend County, Texas; Waller County, Texas; the City of Fulshear, Texas; nor any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

Interest on the Bonds accrues from July 1, 2019, and is payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) 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, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated Regions Bank, an Alabama state banking corporation, Houston, Texas, as the initial paying agent/registrar (the “Paying Agent/Registrar”) for the Bonds.

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on inside cover.

The Bonds represent the second series of unlimited tax bonds to be issued by the District from a total of \$164,300,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of purchasing, constructing, or otherwise acquiring a waterworks, sanitary sewer and storm drainage system serving the District. See “THE BONDS – Authority for Issuance.”

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of Payment.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



The Bonds are subject to certain risk factors described herein. Prospective purchasers of the Bonds should review this entire Official Statement, including particularly the section titled “RISK FACTORS,” before making an investment decision. See “RISK FACTORS.”

The Bonds are offered, when, as and if issued by the District to the winning bidder for the Bonds (the “Initial Purchaser”), subject, among other things to the approval of the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about July 24, 2019.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$2,820,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$110,000	5.000%	1.650%	35986C CA3	2029 (c)	\$195,000	3.000%	2.550%	35986C CK1
2021	145,000	5.000%	1.700%	35986C CB1	2030 (c)	205,000	3.000%	2.750%	35986C CL9
2022	155,000	5.000%	1.750%	35986C CC9	2031 (c)	210,000	3.000%	2.850%	35986C CM7
2023	160,000	5.000%	1.800%	35986C CD7	***	***	***	***	***
2024	165,000	4.000%	1.900%	35986C CE5	2034 (c)	235,000	3.000%	3.020%	35986C CQ8
2025 (c)	170,000	3.000%	2.000%	35986C CF2	2035 (c)	245,000	3.000%	3.050%	35986C CR6
2026 (c)	175,000	3.000%	2.150%	35986C CG0	***	***	***	***	***
2027 (c)	185,000	3.000%	2.300%	35986C CH8	2038 (c)	275,000	3.000%	3.110%	35986C CU9
2028 (c)	190,000	3.000%	2.450%	35986C CJ4					

\$2,850,000 Term Bonds

\$450,000 Term Bonds Due September 1, 2033 (c) (d), Interest Rate: 3.000% (Price: \$100.000) (a), CUSIP No. 35986C CP0 (b)

\$520,000 Term Bonds Due September 1, 2037 (c) (d), Interest Rate: 3.000% (Price: \$98.620) (a), CUSIP No. 35986C CT2 (b)

\$885,000 Term Bonds Due September 1, 2041 (c) (d), Interest Rate: 3.000% (Price: \$97.778) (a), CUSIP No. 35986C CX3 (b)

\$995,000 Term Bonds Due September 1, 2044 (c) (d), Interest Rate: 3.000% (Price: \$97.000) (a), CUSIP No. 35986C DA2 (b)

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first optional redemption date. Accrued interest is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined), or Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers.
- (c) 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, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption as provided herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Robert W. Baird & Co. Incorporated for further information.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT .. 1	Tax Collections Limitations..... 14
SALE AND DISTRIBUTION OF THE BONDS 3	Bondholders' Remedies 14
Award and Marketing of the Bonds..... 3	Bankruptcy Limitation to Bondholders'
Prices and Marketability 3	Rights 14
Securities Laws 3	Marketability 15
MUNICIPAL BOND INSURANCE..... 3	Future Debt 15
Bond Insurance Policy..... 3	Continuing Compliance with Certain
Build America Mutual Assurance Company 4	Covenants..... 15
RATING 5	Approval of the Bonds 16
OFFICIAL STATEMENT SUMMARY 6	Environmental Regulations 16
INTRODUCTION..... 12	Hurricane Harvey 18
RISK FACTORS..... 12	Potential Impact of Natural Disaster 18
General 12	Future and Proposed Legislation 19
Factors Affecting Taxable Values and Tax	Bond Insurance Risk Factors..... 19
Payments 12	2019 Legislative Session 20
Competitive Nature of Houston Residential	THE BONDS..... 20
Market..... 14	General 20

Book-Entry-Only System.....	20	Debt Service Requirement Schedule.....	42
Successor Paying Agent/Registrar.....	22	TAX PROCEDURES.....	42
Registration, Transfer and Exchange.....	22	Authority to Levy Taxes.....	42
Replacement of Bonds.....	23	Property Tax Code and County-Wide	
Authority for Issuance.....	23	Appraisal District.....	43
Issuance of Additional Debt.....	23	Exempt Property.....	43
Outstanding Bonds.....	24	County-Wide Appraisal District.....	44
Payment Record.....	24	Assessment and Levy.....	45
Source of Payment.....	24	District and Taxpayer Remedies.....	46
Redemption of the Bonds.....	24	District's Rights in the Event of Tax	
Defeasance.....	25	Delinquencies.....	46
Bondholders' Remedies.....	26	Rollback of Operation and Maintenance Tax	
Bankruptcy Limitation to Bondholders'		Rate.....	46
Rights.....	26	TAX DATA.....	47
Legal Investment and Eligibility to Secure		General.....	47
Public Funds in Texas.....	26	Tax Rate Limitation.....	48
Short-Term Debt.....	27	Historical Values and Tax Collection History..	48
Use and Distribution of Proceeds of Bonds.....	28	Analysis of Tax Base.....	48
THE DISTRICT.....	29	Tax Rate Distribution.....	48
Authority.....	29	Principal Taxpayers.....	49
Description.....	29	Tax Rate Calculations.....	49
Jordan Ranch.....	29	Estimated Overlapping Taxes.....	50
Management of the District.....	30	LEGAL MATTERS.....	50
LOCATION MAP.....	31	Legal Opinions.....	50
PHOTOGRAPHS TAKEN IN THE DISTRICT.....	32	No-Litigation Certificate.....	50
DEVELOPMENT WITHIN THE DISTRICT.....	34	No Material Adverse Change.....	51
Current Status.....	34	TAX MATTERS.....	51
Homebuilders in the District.....	35	Tax Exemption.....	51
Lot-Sales Contracts.....	35	Federal Income Tax Accounting Treatment	
THE DEVELOPER.....	35	of Original Issue Discount.....	51
Role.....	35	Collateral Federal Income Tax Consequences	52
Description.....	35	Not Qualified Tax-Exempt Obligations.....	53
Development Financing.....	36	CONTINUING DISCLOSURE OF INFORMATION.....	53
THE UTILITY SYSTEM.....	36	Annual Reports.....	53
Regulation.....	36	Event Notices.....	53
Water Supply.....	36	Availability of Information from MSRB.....	54
Wastewater System.....	36	Limitations and Amendments.....	54
Storm Drainage System.....	37	Compliance with Prior Undertakings.....	54
100-Year Floodplain.....	37	OFFICIAL STATEMENT.....	54
Operating History.....	38	General.....	54
Subsidence and Conversion to Surface Water		Experts.....	55
Supply.....	38	Certification of Official Statement.....	55
THE ROAD SYSTEM.....	39	Updating of Official Statement.....	55
DISTRICT DEBT.....	40	CONCLUDING STATEMENT.....	55
General.....	40	APPENDIX A Financial Statements of the District	
Bond Indebtedness.....	40	APPENDIX B Specimen Municipal Bond	
Direct and Estimated Overlapping Debt		Insurance Policy	
Statement.....	41		
Debt Ratios.....	41		

SALE AND DISTRIBUTION OF THE BONDS

Award and Marketing of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.245484%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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 "APPENDIX B" 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under this heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any

offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy issued by BAM at the time of the delivery of the Bonds. 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). 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, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

[Remainder of this page intentionally left blank]

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The District..... Fulshear Municipal Utility District No. 3A (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas, and in Waller County, Texas. See “THE DISTRICT.”
- The Bonds..... The District’s \$5,670,000 Unlimited Tax Bonds, Series 2019 (the “Bonds”), are dated July 1, 2019, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from July 1, 2019, at the rates set forth on the inside cover page hereof and is payable March 1, 2020, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See “THE BONDS.”
- Redemption..... Bonds maturing on and 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 on 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 of the Bonds – *Optional Redemption*.” The Bonds that mature on September 1 in each of the years 2033, 2037, 2041, and 2044 are term bonds that are also subject to mandatory redemption as provided herein under “THE BONDS – Redemption of the Bonds – *Mandatory Redemption*.”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; Waller County, Texas; the City of Fulshear, Texas; or any political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”
- Authority for Issuance..... The Bonds are issued as authorized by: an order of the Texas Commission on Environmental Quality; an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”); Senate Bill 1910, 83rd Texas Legislature,

Regular Session, codified at Chapter 8487, Texas Special District Local Laws Code, effective September 1, 2013 (the "Act"); the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code; Article XVI, Section 59, of the Texas Constitution; and the below-referenced election held in the District.

- Voted Authorization.....At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of a total of \$164,300,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"), \$87,900,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"), and \$38,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District. The Bonds represent the District's second issuance of bonds for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$153,770,000 for the Utility System, \$86,300,000 for the Road System, and \$38,000,000 for parks and recreational facilities.
- Outstanding BondsThe District has previously issued the following two series of bonds: \$4,860,000 Unlimited Tax Utility Bonds, Series 2018, and \$1,600,000 Unlimited Tax Road Bonds, Series 2018. Of such two series of bonds previously issued by the District, all \$6,460,000 principal amount remains outstanding as of May 1, 2019 (the "Outstanding Bonds").
- Short-Term Debt.....The District issued its \$3,440,000 Bond Anticipation Note, Series 2018 ("BAN"), dated September 27, 2018. The BAN matures on September 26, 2019, and accrues interest at a rate of 3.00% per annum, calculated on the basis of actual days elapsed and a 360-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity.
- Use of ProceedsProceeds of the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under "THE BONDS – Use and Distribution of Proceeds of Bonds." Proceeds of the Bonds will also be used to reimburse the Developer for the portion of constructions costs that were not reimbursed by the BAN, to pay twelve (12) months of capitalized interest on the Bonds, and to pay costs of issuance of the Bonds as well as those other non-construction costs set forth hereinafter under "THE BONDS – Use and Distribution of Proceeds of Bonds."
- Not Qualified Tax-Exempt ObligationsThe District has not designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations."
- Municipal Bond InsuranceBuild America Mutual Assurance Company. See "MUNICIPAL BOND INSURANCE" above.
- Rating.....S&P (BAM Insured): "AA." See "RATING" above.

Bond Counsel Coats Rose P.C., Houston, Texas.
 Disclosure Counsel Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
 Financial Advisor Robert W. Baird & Co. Incorporated, Houston, Texas.

THE DISTRICT

Description..... The District was created by an order dated August 21, 2015, that, pursuant to the Act, divided Fulshear Municipal Utility District No. 3 into two distinct municipal utility districts: the District and Fulshear Municipal Utility District No. 3B (“Fulshear 3B”). Upon its creation, the District was made up of 493.86 acres, and, due to one subsequent annexation, the District now encompasses 577.23 total acres. See “THE DISTRICT.”

Location..... The District is situated primarily within Fort Bend County, Texas, although a portion of the District’s lands (approximately 10 acres) are within Waller County, Texas. The District is located approximately 33 miles west of the City of Houston, Texas, approximately 4 miles west of the City of Katy, Texas, approximately 4 miles north of the City of Fulshear, Texas, and approximately 1 mile south of the intersection of Interstate Highway 10 and Jordan Ranch Boulevard.

Jordan Ranch..... The District is part of the master-planned community known as Jordan Ranch. Jordan Ranch is located immediately south of Interstate Highway 10 and includes a number of amenities for its residents such as a community clubhouse, resort-style pool with lazy river and kids’ splash pad, fitness center, picnic area, playgrounds, hike and bike trails, and open spaces throughout the community. Jordan Ranch is made up of approximately 1,353.01 total acres that are situated in either the District (577.23 total acres) or Fulshear 3B (775.78 total acres). To date, development in Jordan Ranch has occurred only within the District. See “THE DISTRICT – Jordan Ranch.”

Development in the District..... To date, within the District, a total of approximately 487 single-family lots have been developed within the following subdivisions: Jordan Ranch, Sections 1, 2, 2A, 3, 4, 5, 8, 9, 10, 11, 12, 14, and Jordan Ranch Model Home Park. Said subdivisions encompass approximately 151.63 total acres within the District. As of May 6, 2019, the District included approximately 338 completed homes (approximately 275 occupied, 50 unoccupied, and 13 model homes), approximately 41 homes under construction (approximately 30 of which being under contract for sale to homebuyers), and approximately 108 vacant developed single-family lots. In addition, the following three residential subdivisions are currently under construction: (i) Jordan Ranch, Section 6, a subdivision of approximately 9.81 acres for development of approximately 29 single-family lots, is anticipated to be completed in June of 2019; (ii) Jordan Ranch, Section 7, a subdivision of approximately 5.18 acres for development of approximately 16 single-family lots, is anticipated to be completed in June of 2019; and (iii) Jordan Ranch, Section 15, a subdivision of approximately 16.46 acres for development of approximately 63 single-family lots, is anticipated to be completed in June of 2019. The remaining land within the District includes approximately 332.26 undeveloped but

developable acres and approximately 61.90 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT – Current Status."

The Developer..... Johnson Development Corp. ("JDC") is the developer of land in the District and has created Fort Bend Jordan Ranch LP, a Texas limited partnership (the "Developer"), as the entity through which development operations are managed. JDC is a leading land developer of residential and commercial properties across the country, and, since its establishment in 1975, has been involved in over 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks, office buildings, retail centers, championship golf courses, and residential communities. In Texas, JDC is responsible for the development of several master-planned communities including Riverstone, Sienna Plantation, Cross Creek Ranch, Harvest Green, Imperial, Fall Creek, Tuscan Lakes, Edgewater, Woodforest, Harmony, Grand Central Park, Willow Creek Farms, Trinity Falls, and Viridian. See "THE DEVELOPER."

Homebuilders in the District..... The following homebuilders are actively constructing new homes in the District: David Weekley Homes, Highland Homes, J. Patrick Homes, Lennar Homes, Newmark Homes, Perry Homes, Plantation Homes, Westin Homes, and Chesmar Homes. New homes in the District range in price from \$250,000 to over \$450,000 and in size from 1,900 to over 3,750 square feet. See "DEVELOPMENT WITHIN THE DISTRICT – Homebuilders in the District."

Hurricane Harvey..... The nine-county metropolitan area known as Greater Houston, which includes Fort Bend County and Waller County, experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 25, 2017.

According to the Developer, the Engineer (herein defined), and the Operator (herein defined), Hurricane Harvey caused no damage to the Utility System and there was no interruption to water and sewer service in the District. Further, while the District did experience widespread street flooding, to the best knowledge of the Developer, the Engineer, and the Operator, no homes in the District experienced structural flooding or other material damage. The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. See "RISK FACTORS – Hurricane Harvey" and "– Potential Impact of Natural Disaster."

RISK FACTORS

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CAREFULLY EXAMINE THIS ENTIRE OFFICIAL STATEMENT, ESPECIALLY THE PORTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2018 Taxable Assessed Valuation.....	\$ 62,194,913 (a)
2019 Preliminary Valuation.....	\$ 109,934,496 (b)
Estimate of Value as of May 15, 2019.....	\$ 124,674,496 (c)
Direct Debt:	
The Outstanding Bonds (as of May 1, 2019)	\$ 6,460,000
The Bonds	<u>\$ 5,670,000</u>
Total.....	\$ 12,130,000
Estimated Overlapping Debt	<u>\$ 4,879,314 (d)</u>
Total Direct and Estimated Overlapping Debt	\$ 17,009,314 (d)
Direct Debt Ratios:	
As a percentage of 2018 Taxable Assessed Valuation.....	19.50 %
As a percentage of 2019 Preliminary Valuation	11.03 %
As a percentage of Estimate of Value as of May 15, 2019.....	9.73 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2018 Taxable Assessed Valuation.....	27.35 %
As a percentage of 2019 Preliminary Valuation	15.47 %
As a percentage of Estimate of Value as of May 15, 2019.....	13.64 %
Utility System Debt Service Fund Balance (as of April 23, 2019).....	\$341,572 (e)
Road System Debt Service Fund Balance (as of April 23, 2019)	\$117,751 (f)
General Operating Fund Balance (as of April 23, 2019).....	\$647,259

-
- (a) Represents the taxable assessed value of all taxable property in the District, as of January 1, 2018, as certified by Fort Bend Central Appraisal District ("FBCAD") and Waller County Appraisal District ("WCAD"). See "TAX PROCEDURES" and "TAX DATA."
- (b) Represents the preliminary determination of the taxable value of all taxable property in the District, as of January 1, 2019, as provided by FBCAD and WCAD. This value is subject to protest, review, and downward adjustment prior to certification of the 2019 appraisal rolls by each appraisal district. No taxes will be levied on this value. See "TAX PROCEDURES" and "TAX DATA."
- (c) Provided by FBCAD and WCAD for information purposes only. This amount is an estimate of the taxable value of all taxable property in the District as of May 15, 2019, and includes an estimate of value resulting from the construction of new taxable improvements in the District from January 1, 2019, to May 15, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES" and "TAX DATA."
- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) In addition to this amount, twelve (12) months of capitalized interest on the Bonds will be deposited into the Utility System Debt Service Fund upon closing and delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Road System.
- (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2018 Tax Rate	
Utility System Debt Service	\$0.470 (a)
Road System Debt Service	\$0.155 (a)
Maintenance & Operation	<u>\$0.875</u>
Total.....	\$1.500
Combined Average Annual Debt Service Requirement (2019–2044).....	\$695,533 (b)
Combined Maximum Annual Debt Service Requirement (2042)	\$786,256 (b)
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Combined Average Annual Debt Service Requirement (2019–2044)	
Based on 2018 Taxable Assessed Valuation at 95% Collections.....	\$1.18
Based on 2019 Preliminary Valuation at 95% Collections	\$0.67
Based on Estimate of Value as of May 15, 2019, at 95% Collections.....	\$0.59
Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay	
Combined Maximum Annual Debt Service Requirement (2042)	
Based on 2018 Taxable Assessed Valuation at 95% Collections.....	\$1.34
Based on 2019 Preliminary Valuation at 95% Collections	\$0.76
Based on Estimate of Value as of May 15, 2019, at 95% Collections.....	\$0.67

-
- (a) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount.
- (b) Requirement of combined debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

\$5,670,000

FULSHEAR MUNICIPAL UTILITY DISTRICT NO. 3A

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

UNLIMITED TAX BONDS

SERIES 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fulshear Municipal Utility District No. 3A (the "District") of its \$5,670,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to (i) an order of the Texas Commission on Environmental Quality ("TCEQ"); (ii) an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the "Bond Order"); (iii) the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code; (iv) Senate Bill 1910, 83rd Texas Legislature, Regular Session, codified at Chapter 8487, Texas Special District Local Laws Code, effective September 1, 2013 (the "Act"); (v) Article XVI, Section 59, of the Texas Constitution; and (vi) an election held within the District on November 3, 2015.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order. Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Upon payment of reasonable copying, mailing and handling charges, copies of such documents may be obtained from the District at Coats Rose P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District's financial advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010.

RISK FACTORS

General

The Bonds, which are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; Waller County, Texas; the City of Fulshear, Texas; or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential development and construction industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

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

Principal Landowner/Developer: There is no commitment by, or legal requirement of, the principal landowners, the Developer (herein defined), or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover,

there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "THE DEVELOPER," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2018, the District's principal taxpayers owned property located within the District the aggregate assessed valuation of which comprised approximately 18.40% of the District's total assessed taxable valuation. The Developer, the District's top taxpayer, owned property constituting approximately 4.34% of the District's total assessed taxable valuation as of January 1, 2018. See "THE DEVELOPER – Description."

In the event that the Developer, any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAX PROCEDURES – Assessment and Levy."

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The assessed taxable valuation as of January 1, 2018, of all taxable property located within the District is \$62,194,913, the preliminary valuation as of January 1, 2019, is \$109,934,496, and the estimate of value as of May 15, 2019, is \$124,674,496. See "TAX DATA."

After issuance of the Bonds, the combined maximum annual debt service requirement on the Outstanding Bonds (herein defined) and the Bonds will be \$786,256 (2042), and the combined average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$695,533 (2019–2044). Assuming no decrease to the District's taxable assessed valuation as of January 1, 2018, combined debt service tax rates of \$1.34 and \$1.18 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no decrease to the District's preliminary valuation as of January 1, 2019, combined debt service tax rates of \$0.76 and \$0.67 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. Assuming no decrease from the District's estimate of value as of May 15, 2019, tax rates of \$0.67 and \$0.59 per \$100 of assessed taxable valuation at a 95% tax collection rate would be necessary to pay the combined maximum annual debt service requirement and the combined average annual debt service requirement, respectively. See "TAX DATA – Tax Rate Calculations." The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

For the 2018 tax year, the District levied a total tax of \$1.500 per \$100 of assessed taxable valuation composed of the following: a tax in the amount of \$0.875 for maintenance and operations purposes; a tax in the amount of \$0.470 for payment of debt service on the Outstanding Bonds issued for the Utility System (hereinafter defined); and a tax in the amount of \$0.155 for payment of debt service on the Outstanding Bonds issued for the Road System (hereinafter defined). Increases in the District's tax rate to substantially higher levels than the current rate of \$1.50 per \$100 of assessed taxable valuation which the District presently levied may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a registered owner of the Bonds of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

Competitive Nature of Houston Residential Market

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

Tax Collections Limitations

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

Bondholders' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered holders of the Bonds ("Bondholders") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not provide for remedies to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Based on recent Texas court decisions, it is unclear whether, §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Bondholders 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 Bondholders cannot themselves foreclose on property within the District or sell property of the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Bondholders would have to initiate and finance the legal process to enforce their remedies.

Bankruptcy Limitation to Bondholders' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might not be applicable, the concomitant delay and loss of remedies to the Bondholder could potentially and adversely impair the value of the Bondholder's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of a total of \$164,300,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a waterworks, sanitary sewer and storm drainage system serving the District (the "Utility System"), \$87,900,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system serving the District (the "Road System"), and \$38,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities in the District.

The Bonds are the second series unlimited tax bonds to be issued by the District for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$153,770,000 for the Utility System, \$86,300,000 for the Road System, and \$38,000,000 for parks and recreational facilities. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The District's issuance of the remaining \$153,770,000 unlimited tax bonds for the Utility System and the \$38,000,000 unlimited tax bonds authorized for park and recreational improvements shall be subject to approval by the TCEQ. See "THE BONDS - Issuance of Additional Debt."

According to the Developer, following the issuance of the Bonds, the District will owe the Developer approximately \$13,354,078 for its expenditures to construct the Utility System, approximately \$2,497,167 for expenditures to construct parks and recreational facilities in the District, and approximately \$8,586,196 for expenditures to construct the Road System.

In the third quarter of 2019, the District anticipates that it will issue its second series of bonds for the purpose of acquiring or constructing the Road System in the approximate principal amount of \$2,830,000. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

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 by the District to comply with such covenants on a continuous basis prior to

maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and 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, with an attainment deadline of August 3, 2021. 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.

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 nationwide 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.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is sufficient uncertainty regarding the ultimate scope of “waters of the United States” and to the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Hurricane Harvey

The Greater Houston area sustained widespread damage as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the Developer (herein defined), the Engineer (herein defined), and the Operator (herein defined), Hurricane Harvey caused no damage to the Utility System and there was no interruption to water and sewer service in the District. Further, to the best knowledge of the Developer, the Engineer, and the Operator, although streets in the District experienced widespread flooding, there were no homes in the District that experienced structural flooding or other material 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.

As a result of the damages caused by Hurricane Harvey, a number of Texas counties, including Fort Bend and Waller Counties, were declared disaster areas by the Governor of the State of Texas. When requested by a local taxing unit, such as the District, appraisal districts are required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. The District did not request a reappraisal. See “TAX PROCEDURES – County-Wide Appraisal District.”

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and, as it has in the past, could be impacted by high winds and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. 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.

Future and Proposed 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.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

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

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and concluded on May 27, 2019. The Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. A copy of the Bond Order may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated July 1, 2019, and will mature on September 1 in the years and in the principal amounts indicated on the inside cover page hereof. The Bonds will accrue interest from July 1, 2019, at the stated interest rates indicated on the inside cover page hereof. Interest on the Bonds is payable on March 1, 2020, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. The Bonds will be issued as fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof. Principal of the Bonds will be payable to a Bondholder thereof at maturity or earlier redemption upon presentation of Bonds at the principal payment office of Regions Bank, an Alabama state banking corporation, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to Bondholders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"), or by other such customary banking arrangements as may be acceptable to the Paying Agent/Registrar and the Bondholder at the expense and risk of the Bondholder.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee'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 Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the District or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC)

is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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.

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

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

Replacement of Bonds

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

Authority for Issuance

The Bonds are issued pursuant to: (i) an order of TCEQ; (ii) the Bond Order; (iii) the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code; (iv) the Act; (v) Article XVI, Section 59, of the Texas Constitution; and (vi) an election held within the District on November 3, 2015.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created.

At an election held within the District on November 3, 2015, voters of the District authorized the District's issuance of a total of \$164,300,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Utility System, \$87,900,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System, \$38,000,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a parks and recreational facilities serving the District, and could authorize additional amounts.

The Bonds represent the second unlimited tax bonds to be issued by the District for the purpose of constructing or acquiring the Utility System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$153,770,000 for the Utility System, \$86,300,000 for the Road System, and \$38,000,000 for parks and recreational facilities.

The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System or for parks and recreation, approved by the TCEQ). In the third quarter of 2019, the District anticipates that it will issue its second series of bonds for the purpose of acquiring or constructing the Road System in the approximate principal amount of \$2,830,000.

According to the Developer, following the issuance of the Bonds, the District will owe the Developer approximately \$13,354,078 for its expenditures to construct the Utility System, approximately \$2,497,167 for expenditures to construct parks and recreational facilities in the District, and approximately \$8,586,196 for expenditures to construct the Road System.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District has not considered the preparation of a parks bond application at this time. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District at the time of issuance.

Outstanding Bonds

The District has previously issued the following two series of bonds: \$4,860,000 Unlimited Tax Utility Bonds, Series 2018, and \$1,600,000 Unlimited Tax Road Bonds, Series 2018. Of such two series of bonds previously issued by the District, all \$6,460,000 principal amount remains outstanding as of May 1, 2019 (the "Outstanding Bonds").

Payment Record

The District has never defaulted on the timely payment of debt service due on its prior bonded indebtedness.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, and such additional tax bonds of the District as may hereafter be authorized by District voters, if any, and subsequently issued, are payable from and secured by the proceed of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAX PROCEDURES" and "TAX DATA - Tax Rate Calculations" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Bondholders' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Order or in the event of default in the payment of principal of or interest on the Bonds.

The Bonds are obligations solely of the District and are not obligations of the State of Texas; Fort Bend County, Texas; Waller County, Texas; the City of Fulshear, Texas; or any political subdivision other than the District.

Redemption of the Bonds

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2025, prior to their scheduled maturities, in whole or in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar (or DTC in accordance with its procedures while the Bonds are in book-entry-only form) shall designate by method of random selection the Bonds within such maturity to be redeemed. If the Book-Entry-Only System is discontinued, the Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds that mature on September 1 in each of the years 2033, 2037, 2041, and 2044 ("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 set out below ("Mandatory Redemption Dates") and in the amounts set forth below, subject to proportionate reductions as described below, at a redemption price of par plus accrued interest to the date of redemption:

\$450,000 Term Bonds Maturing on September 1, 2033	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$220,000
September 1, 2033 (Maturity)	\$230,000

\$520,000 Term Bonds Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	\$255,000
September 1, 2037 (Maturity)	\$265,000

\$885,000 Term Bonds Maturing on September 1, 2041

Mandatory Redemption Date	Principal Amount
September 1, 2039	\$285,000
September 1, 2040	\$295,000
September 1, 2041 (Maturity)	\$305,000

\$995,000 Term Bonds Maturing on September 1, 2044

Mandatory Redemption Date	Principal Amount
September 1, 2042	\$320,000
September 1, 2043	\$330,000
September 1, 2044 (Maturity)	\$345,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds which, at least 30 days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Bondholders 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 of (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by 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. The foregoing obligations may be in book entry form, and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Bondholders may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Bondholders' Remedies

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and any additional tax bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make debt service payments, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Bondholder shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Bondholders may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Bondholder in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Bondholders. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Bondholders. Even if the Bondholders could obtain a judgment against the District, such judgment could not be enforced by direct levy and execution against the District's property. Further, the Bondholders 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. Certain traditional legal remedies also may be unavailable. The enforceability of the rights and remedies of the Bondholders may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "Bankruptcy Limitation to Bondholders' Rights" below.

Bankruptcy Limitation to Bondholders' Rights

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Even if a Bondholder could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a Bondholder could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "RISK FACTORS - Bondholders' Remedies," and "- Bankruptcy Limitation to Bondholders' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of

the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

Short-Term Debt

The District issued its \$3,440,000 Bond Anticipation Note, Series 2018 ("BAN"), dated September 27, 2018, with a maturity date of September 26, 2019. The BAN accrues interest at a rate of 3.00% per annum, calculated on the basis of actual days elapsed and a 360-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse the Developer (herein defined) for a portion of the costs of construction of the improvements as shown under "THE BONDS – Use and Distribution of Proceeds of Bonds."

[Remainder of this page intentionally left blank.]

Use and Distribution of Proceeds of Bonds

Proceeds of the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the construction costs set out below. Proceeds of the Bonds will also be used to reimburse the Developer for a portion of the costs of the above that were not reimbursed by the BAN, to pay twelve (12) months of capitalized interest on the Bonds, and to pay costs of issuance of the Bonds and those other non-construction costs below.

<u>Construction Costs</u>	<u>District's Share</u>
A. <u>Developer Contribution Items</u>	
1. Jordan Ranch Phase 1A Project 1	\$ 682,919
2. Erosion Consultant and Storm Water Permits	975
3. Engineering, Surveying and Geotechnical Testing	<u>350,448</u>
Total Developer Contribution Items	\$ 1,034,342
B. <u>District Contribution Items</u>	
1. Jordan Ranch Phase 1B Detention Pond	\$ 923,549
2. Lift Station No. 1	665,103
3. Erosion Consultant and Storm Water Permits	81,357
4. Engineering, Surveying and Geotechnical Testing	83,337
5. Land Acquisition Detention Ponds 3a, 3b, 3c, and 3d	1,101,037
6. WCF MUD Wastewater Plant Capacity Purchase	<u>420,280</u>
Total District Contribution Items	<u>\$ 3,274,663</u>
Total Construction Costs	\$ 4,309,005
Less Surplus Funds	<u>(370,834)</u>
Total Net Construction Costs (69.5% of Bond Issue Requirement)	\$ 3,938,171
<u>Non-Construction Costs</u>	
A. Legal Fees (2.50%)	\$ 138,400
B. Fiscal Agent Fees (2.00%)	113,400
C. Interest	
1. Capitalized Interest (12 Months)	183,150
2. Bond Anticipation Note Interest	86,000
3. Developer Interest	400,154
D. Bond Discount (3.00%)	170,100
E. Bond Issuance Expense	22,984
F. Operating Advances	283,285
G. Bond Application Report Cost	45,000
H. Bond Anticipation Note Expense	82,404
I. Attorney General's Fee (0.10%)	5,670
J. TCEQ Bond Issuance Fee (0.25%)	14,175
K. Contingency	<u>187,107</u>
Total Non-Construction Costs (30.5% of Bond Issue Requirement)	\$ 1,731,829
TOTAL BOND ISSUE REQUIREMENT	\$ 5,670,000

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

THE DISTRICT

Authority

Fulshear Municipal Utility District No. 3 was created pursuant to Article XVI, Section 59, and Article III, Section 52, of the Texas Constitution, by Senate Bill No. 1910, an act of the 83rd Texas Legislature, Regular Session, effective September 1, 2013, codified as Chapter 8487, Subtitle F, Title 6, Special District Local Laws Code (the “Act” as previously defined herein). By that certain Order Dividing District and Redefining Boundaries dated August 21, 2015, Fulshear Municipal Utility District No. 3 was divided into two distinct municipal utility districts, creating the District and Fulshear Municipal Utility District No. 3B (“Fulshear 3B”).

The District operates under the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code and Article XVI, Section 59, of the Texas Constitution and is authorized to construct and finance road projects as provided under Article III, Section 52, of the Texas Constitution.

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

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. However, the District does not currently operate or maintain a fire department; fire protection for the District is provided by the City of Fulshear, Texas. The District is subject to the continuing supervision of the TCEQ and is located in the extra territorial jurisdiction of the City of Fulshear, Texas.

Description

Upon its creation, the District was made up of 493.86 acres, and, due to one subsequent annexation, the District now encompasses 577.23 total acres. The District is situated primarily within Fort Bend County, Texas, although a portion of the District’s lands (approximately 10 acres) are within Waller County, Texas. The District is located approximately 33 miles west of the City of Houston, Texas, approximately 4 miles west of the City of Katy, Texas, approximately 4 miles north of the City of Fulshear, Texas, and approximately 1 mile south of the intersection Interstate Highway 10 and Jordan Ranch Boulevard. The District is located in the extraterritorial jurisdiction of the City of Fulshear, Texas.

Jordan Ranch

The District is part of the master-planned community known as Jordan Ranch. Jordan Ranch is located immediately south of Interstate Highway 10 and offers its residents a number of amenities including a clubhouse for community events and private gatherings, resort-style pool with lazy river and kids’ splash pad, fitness center, picnic area, playgrounds, hike and bike trails, and acres of open space and greenbelt throughout the community.

Two municipal utility districts are situated within the approximate 1353.01 total acres that make up Jordan Ranch: the District (577.23 total acres) and Fulshear 3B (775.78 total acres). To date, all development within Jordan Ranch has occurred in the District. See “DEVELOPMENT OF THE DISTRICT – Current Status.”

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the first Saturday in May in each even numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Glen Nordt	President	2022
Cody Wall	Vice President	2022
John Saavedra	Secretary	2020
Brian Harbuck	Assistant Secretary	2020
Caleb Davis	Assistant Secretary	2022

- Consultants -

Tax Assessor/Collector – The District has engaged Utility Tax Service, LLC as tax assessor/collector.

Bookkeeper – The District's bookkeeper is Myrtle Cruz, Inc.

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

Operator – The District has contracted with SiEnvironmental, LLC (the "Operator") to oversee operation and maintenance of the Utility System.

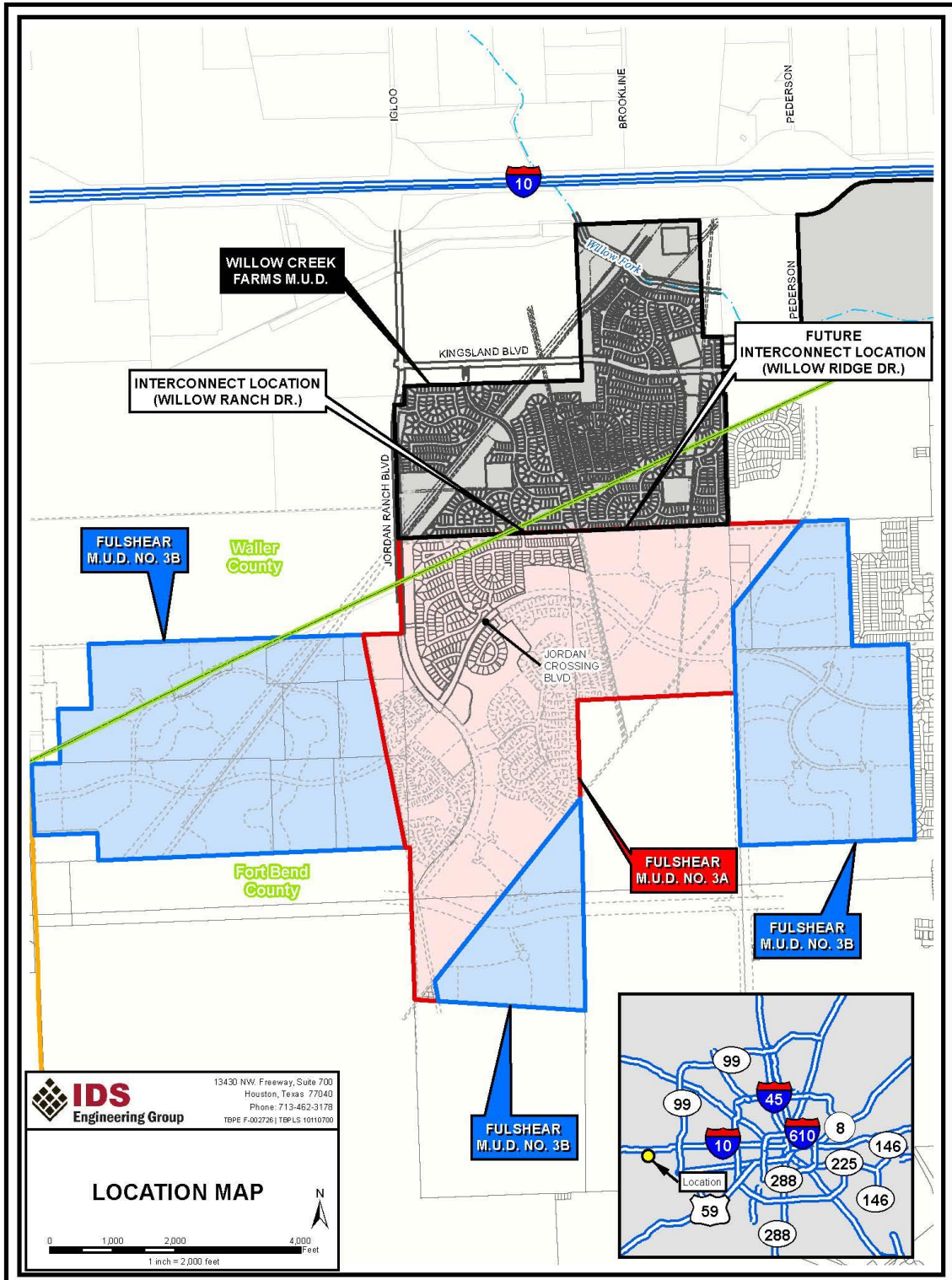
Bond Counsel – The District has engaged Coats Rose, P.C., Houston, Texas, as Bond Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds. Coats Rose P.C. also serves as the District's general counsel.

Auditor – The District engaged McGrath & Co. PLLC to audit its financial statements for the fiscal year ended December 31, 2018. The District's audited financial statements are attached as "APPENDIX A" to this Official Statement.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP, Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District (the "Financial Advisor"). Payment to the Financial Advisor by the District is contingent upon the issuance, sale, and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

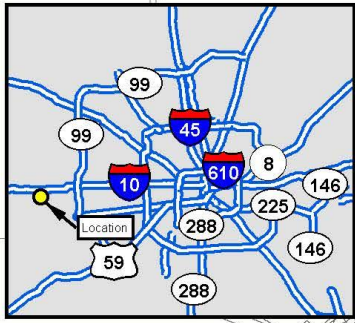
LOCATION MAP



IDS Engineering Group
 13430 NW Freeway, Suite 700
 Houston, Texas 77040
 Phone: 713-462-3178
 TBP# F-002726 | TPL# LS 10110700

LOCATION MAP

0 1,000 2,000 4,000 Feet
 1 inch = 2,000 feet



**PHOTOGRAPHS TAKEN IN THE DISTRICT
(May 2019)**



PHOTOGRAPHS TAKEN IN THE DISTRICT
(May 2019)



DEVELOPMENT WITHIN THE DISTRICT

Current Status

To date, within the District, a total of approximately 487 single-family lots have been developed within the following subdivisions: Jordan Ranch, Sections 1, 2, 2A, 3, 4, 5, 8, 9, 10, 11, 12, 14, and Jordan Ranch Model Home Park. Said subdivisions encompass approximately 151.63 total acres within the District. As of May 6, 2019, the District included approximately 338 completed homes (approximately 275 occupied, 50 unoccupied, and 13 model homes), approximately 41 homes under construction (approximately 30 of which being under contract for sale to homebuyers), and approximately 108 vacant developed single-family lots. In addition, the following three residential subdivisions are currently under construction: (i) Jordan Ranch, Section 6, a subdivision of approximately 9.81 acres for development of approximately 29 single-family lots, is anticipated to be completed in June of 2019; (ii) Jordan Ranch, Section 7, a subdivision of approximately 5.18 acres for development of approximately 16 single-family lots, is anticipated to be completed in June of 2019; and (iii) Jordan Ranch, Section 15, a subdivision of approximately 16.46 acres for development of approximately 63 single-family lots, is anticipated to be completed in June of 2019. The remaining land within the District includes approximately 332.26 undeveloped but developable acres and approximately 61.90 undevelopable acres.

The table below summarizes the development within the District as of May 6, 2019.

<u>Jordan Ranch</u>	<u>Acreage</u>	<u>Section Lots</u>	<u>Homes Completed</u>	<u>Homes Construction</u>	<u>Vacant Lots</u>
Model Home Park	7.04	23	13	1	9
Section 1	13.18	40	38	1	1
Section 2	15.93	57	53	3	1
Section 2A	10.08	20	13	1	6
Section 3	12.88	50	48	2	0
Section 4	19.39	76	63	3	10
Section 5	9.29	24	24	0	0
Section 8	20.31	31	10	6	15
Section 9	8.86	26	13	6	7
Section 10	8.03	34	12	3	19
Section 11	8.49	34	9	1	24
Section 12	9.09	33	15	5	13
Section 14	<u>9.06</u>	<u>39</u>	<u>27</u>	<u>9</u>	<u>3</u>
Total Residential Developed	151.63	487	338	41	108
Residential Under Development	31.44				
Undevelopable	61.90				
Remaining Developable	332.26				
District Total	577.23				

Homebuilders in the District

The following homebuilders are actively constructing new homes in the District: David Weekley Homes, Highland Homes, J. Patrick Homes, Lennar Homes, Newmark Homes, Perry Homes, Plantation Homes, Westin Homes, and Chesmar Homes. New homes in the District range in price from \$250,000 to over \$450,000 and in size from 1,900 to over 3,750 square feet.

Lot-Sales Contracts

The Developer has entered into lot sales contracts with each of David Weekley Homes, Highland Homes, J. Patrick Homes, Lennar Homes, Newmark Homes, Perry Homes, Plantation Homes, Westin Homes, and Chesmar Homes. The contracts for the sale of lots between the Developer and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. The Developer sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit. According to the Developer, each of the builders is in compliance with their respective lot-sales contracts.

As of June 1, 2019, the total number of lots contracted and purchased by each builder is listed below:

Homebuilder	Total Lots Contracted	Total Lots Purchased
David Weekley Homes	90	46
Highland Homes	88	80
J. Patrick Homes	48	34
Lennar Homes	65	35
Newmark Homes	14	14
Perry Homes	114	106
Plantation Homes	54	54
Westin Homes	78	78
Chesmar Homes	<u>30</u>	<u>28</u>
Total	581	475

THE DEVELOPER

Role

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district; designing the subdivision, the utilities and streets to be constructed in the subdivision, and 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; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to thirty percent (30%) of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

Description

Johnson Development Corp. ("JDC") is the developer of land in the District and has created Fort Bend Jordan Ranch LP, a Texas limited partnership (the "Developer"), as the entity through which development operations are managed. JDC is a leading land developer of residential and commercial properties across the country,

and, since its establishment in 1975, has been involved in over 100 projects resulting in the development of over 40,000 acres devoted to multiple-use commercial parks, office buildings, retail centers, championship golf courses, and residential communities. In Texas, JDC is responsible for the development of several master-planned communities including Riverstone, Sienna Plantation, Cross Creek Ranch, Harvest Green, Imperial, Fall Creek, Tuscan Lakes, Edgewater, Woodforest, Harmony, Grand Central Park, Willow Creek Farms, Trinity Falls, and Viridian.

Development Financing

In December of 2015, the Developer obtained an infrastructure development loan from Texas Capital Bank, N.A. The loan has a maximum principal balance of \$27,500,000 and matures in December of 2022. The loan is secured by a lien on approximately 1,064.52 acres owned by the Developer in the District and in Fulshear 3B. The outstanding balance as of May 31, 2019, was \$14,222,205, and, according to the Developer, it is in compliance with all material conditions of the loan.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection and drainage facilities have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

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

Water Supply

Water supply is provided by a water plant located in Willow Creek Farms Municipal Utility District, a municipal utility district adjacent to the District. The water plant is jointly owned by Willow Creek Farms Municipal Utility District ("WCFMUD") and Fulshear 3B and consists of the following: a 1,000 gallon per minute ("gpm") water well, a 500 gpm water well, two 15,000 gallon pressure tanks, two 220,000 gallon ground storage tanks, and five booster pumps. The water plant will adequately serve 2,175 equivalent single-family connections ("esfc"), 850 of which are owned by Fulshear 3B.

Since the District's water wells are located in Waller County, Texas, the District's authority to pump groundwater from its water wells is subject to an annual permit issued by the Bluebonnet Groundwater Conservation District ("BGCD"). Water that is pumped from Waller County into Fort Bend County is subject to the authority of the North Fort Bend Water Authority (the "Authority"). BGCD and the Authority were created to protect and recharge groundwater, to prevent pollution or waste of groundwater, to control subsidence caused by withdrawal of water from the groundwater reservoirs in the area, and to regulate the transport of water into and out of their respective boundaries. BGCD and the Authority currently charge the District an annual permit renewal fee, as well as production fees per 1,000 gallons based on the amount of groundwater pumped by the District. The District cannot predict what regulations the BGCD or the Authority may impose on the District nor the amount or level of fees and charges which may be due to the BGCD or the Authority in the future. However, the District anticipates that the costs associated with any necessary system improvements due to additional regulations or increased fees would be passed on to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any.

The District and Fulshear 3B entered into that Joint Water Plant Agreement dated February 28, 2017, in which Fulshear 3B assigned 448 of its 850 esfc to the District. The District has the capacity to serve 448 esfc currently.

Wastewater System

Wastewater for the District is treated by a 480,000 gallon per day ("gpd") wastewater treatment plant located in WCFMUD. Fulshear 3B is participated in an expansion to the wastewater treatment plant to add an additional 240,000 gpd of capacity for a combined total of 480,000 gpd that will adequately serve 1,960 esfc.

Expansion of the wastewater treatment is complete, and 720 esfc of capacity in the wastewater treatment plant is owned by Fulshear 3B.

The District and Fulshear 3B entered into that Joint Wastewater Treatment Agreement dated February 28, 2017, in which Fulshear 3B assigned 448 of the 720 esfc to the District. Under such agreement, Fulshear 3B also assigned 268 esfc of current capacity to the District. The District's current wastewater treatment capacity is sufficient to serve the 268 esfc.

Storm Drainage System

Undeveloped land within the District generally drains from west to east and generally towards the Willow Fork of Buffalo Bayou through a series of existing fields and shallow ditches. Development within the District consists of curb and gutter streets with underground storm sewers. The storm sewer discharges to District detention basins and conveyance channels located within of the District. For the first phase of development, drainage will be directed north through WCFMUD and ultimately into Willow Fork of Buffalo Bayou. Once the allowable limit of developed drainage area occurs within the District, the ultimate drainage system will be constructed to drain east and outfall to the existing drainage channel within the Firethorne subdivision, and ultimately to Willow Fork of Buffalo Bayou.

100-Year Floodplain

No areas within the District are currently within the 100-year floodplain (1% chance of annual occurrence), as currently defined by the Flood Insurance Rate Maps ("FIRM") panels published by the Federal Emergency Management Agency ("FEMA").

[Remainder of this page intentionally left blank.]

Operating History

The following sets forth in condensed form the historical results of the District's general operating fund. Such summary has been prepared by the Financial Advisor for inclusion herein based on information obtained from the District's audited financial statements, reference to which is made for further and more complete information. See "APPENDIX A."

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
<u>Revenues</u>			
Water Service	\$ 77,256	\$ 63,293	\$ 13,353
Sewer Service	129,810	60,251	10,111
Property Taxes	427,616	63,009	9,673
Penalties and Interest	14,273	11,111	1,110
Ground Water Pumpage Fees	184,761	143,498	22,168
Tap Connection and Inspection	338,310	124,360	115,600
Miscellaneous	6,723	2,380	-
Investment Earnings	<u>591</u>	<u>110</u>	<u>28</u>
Total Revenues	\$1,179,340	\$ 468,012	\$ 172,043
<u>Expenditures</u>			
Current Service Operations			
Purchased Services	\$ 284,251	\$ 44,381	\$ 7,966
Professional Fees	146,603	120,762	190,890
Contracted Services	230,985	82,309	83,368
Repairs and Maintenance	92,090	190,043	48,956
Utilities	2,093	475	-
Regional Water Authority Costs	155,131	36,334	-
Administrative	33,757	20,855	13,603
Other	<u>9,845</u>	<u>10</u>	<u>-</u>
Total Expenditures	\$ 954,755	\$ 495,169	\$ 344,783
Developer Advances	\$ -	\$ 140,000	\$ 70,000
Net Change in Fund Balance	\$ 224,585	\$ 112,843	\$(102,740)
Beginning Fund Balance	\$ 11,142	\$(101,701)	\$ 1,039
Ending Fund Balance	\$ 235,727	\$ 11,142	\$(101,701)

Subsidence and Conversion to Surface Water Supply

The portion of the District located in Fort Bend County is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including a portion of the area within the District. In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority" as previously defined herein) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County, Texas (including the District), and a small portion of Harris County, Texas. The Authority has entered into a Water Supply Contract with the City of Houston, Texas, to obtain treated surface water from the City of Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The portion of the District located in Fort Bend County is included within the Authority's GRP. While the District's water wells are not located within the boundaries of the Authority, the water imported into the portion of the District located within Fort Bend County is within the Authority's boundaries, and therefore water usage in that portion of the District is subject to Authority import fees.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged or the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater

pumped or imported by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. As of January 1, 2019, the Authority charges the District \$3.65 per 1,000 gallons based on the amount of groundwater pumped or water imported and used within the Subsidence District. The Authority did not begin imposing its fee for imported water on the District until October 1, 2017. It is expected that the Authority will issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning January 2013; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning January 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a substantial disincentive fee penalty of \$3.25 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

THE ROAD SYSTEM

The District is primarily served by one major thoroughfare, Jordan Ranch Boulevard, which provides residents of the District with direct access to Interstate 10 from the District's internal subdivision streets. Internal subdivision streets also connect to Jordan Crossing Boulevard, a collector road, which provides access to Jordan Ranch Boulevard.

Jordan Ranch Boulevard is designated as a major thoroughfare on the respective major thoroughfares plans of Waller and Fort Bend Counties. Jordan Crossing Boulevard is designated as a collector road on the major thoroughfare plan of Fort Bend County. Jordan Ranch Boulevard and Jordan Crossing Boulevard consist of 4 lanes within a 100-foot wide public right-of-way. Waller County and Fort Bend County are responsible for ongoing maintenance of public roads in the District that are located within their respective boundaries.

[Remainder of this page intentionally left blank.]

DISTRICT DEBT

General

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

Bond Indebtedness

2018 Taxable Assessed Valuation.....	\$ 62,194,913 (a)
2019 Preliminary Valuation	\$ 109,934,496 (b)
Estimate of Value as of May 15, 2019.....	\$ 124,674,496 (c)
Direct Debt:	
The Outstanding Bonds (as of May 1, 2019)	\$ 6,460,000
The Bonds	<u>\$ 5,670,000</u>
Total.....	\$ 12,130,000
Estimated Overlapping Debt	<u>\$ 4,879,314 (d)</u>
Total Direct and Estimated Overlapping Debt	\$ 17,009,314 (d)
Direct Debt Ratios:	
As a percentage of 2018 Taxable Assessed Valuation.....	19.50 %
As a percentage of 2019 Preliminary Valuation	11.03 %
As a percentage of Estimate of Value as of May 15, 2019.....	9.73 %
Direct and Estimated Overlapping Debt Ratios:	
As a percentage of 2018 Taxable Assessed Valuation.....	27.35 %
As a percentage of 2019 Preliminary Valuation	15.47 %
As a percentage of Estimate of Value as of May 15, 2019.....	13.64 %
Utility System Debt Service Fund Balance (as of April 23, 2019).....	\$341,572 (e)
Road System Debt Service Fund Balance (as of April 23, 2019).....	\$117,751 (f)
General Operating Fund Balance (as of April 23, 2019).....	\$647,259

-
- (g) Represents the taxable assessed value of all taxable property in the District, as of January 1, 2018, as certified by Fort Bend Central Appraisal District ("FBCAD") and Waller County Appraisal District ("WCAD"). See "TAX PROCEDURES" and "TAX DATA."
 - (b) Represents the preliminary determination of the taxable value of all taxable property in the District, as of January 1, 2019, as provided by FBCAD and WCAD. This value is subject to protest, review, and downward adjustment prior to certification of the 2019 appraisal rolls by each appraisal district. No taxes will be levied on this value. See "TAX PROCEDURES" and "TAX DATA."
 - (c) Provided by FBCAD and WCAD for information purposes only. This amount is an estimate of the taxable value of all taxable property in the District as of May 15, 2019, and includes an estimate of value resulting from the construction of new taxable improvements in the District from January 1, 2019, to May 15, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAX PROCEDURES" and "TAX DATA."
 - (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
 - (e) In addition to this amount, twelve (12) months of capitalized interest on the Bonds will be deposited into the Utility System Debt Service Fund upon closing and delivery of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on the bonds issued by the District for the Road System.
 - (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the Utility System, including the Bonds.

Direct and Estimated Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the 2018 Assessed Taxable Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

Taxing Jurisdiction	Outstanding Debt April 30, 2019	Overlapping	
		Percent	Amount
Fort Bend County	\$ 560,744,527	0.09%	\$ 487,351
Lamar Consolidated Independent School District	1,039,230,000	0.40	4,185,785
Waller County	40,249,000	0.09	34,663
Katy Independent School District	1,665,950,000	0.01	171,515
Total Estimated Overlapping Debt			\$ 4,879,314
Direct Debt (a)			\$12,130,000
Total Direct and Estimated Overlapping Debt (a)			\$17,009,314

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Ratio of Direct Debt:

As a Percentage of 2018 Taxable Assessed Valuation.....	19.50 %
As a Percentage of 2019 Preliminary Valuation	11.03 %
As a Percentage of Estimate of Value as of May 15, 2019.....	9.73 %

Ratio of Direct and Estimated Overlapping Debt:

As a Percentage of 2018 Taxable Assessed Valuation.....	27.35 %
As a Percentage of 2019 Preliminary Valuation	15.47 %
As a Percentage of Estimate of Value as of May 15, 2019.....	13.64 %

Debt Service Requirement Schedule

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

Calendar Year	Outstanding Bonds Debt Service	Plus: The Bonds			Combined Total Debt Service
		Principal	Interest	Debt Service	
2019	\$271,862	-	-	-	\$271,862
2020	385,524	\$110,000	\$213,675	\$323,675	709,199
2021	391,831	145,000	177,650	322,650	714,481
2022	392,631	155,000	170,400	325,400	718,031
2023	393,086	160,000	162,650	322,650	715,736
2024	403,209	165,000	154,650	319,650	722,859
2025	402,634	170,000	148,050	318,050	720,684
2026	406,639	175,000	142,950	317,950	724,589
2027	410,189	185,000	137,700	322,700	732,889
2028	413,214	190,000	132,150	322,150	735,364
2029	415,694	195,000	126,450	321,450	737,144
2030	412,609	205,000	120,600	325,600	738,209
2031	417,969	210,000	114,450	324,450	742,419
2032	417,694	220,000	108,150	328,150	745,844
2033	417,044	230,000	101,550	331,550	748,594
2034	421,999	235,000	94,650	329,650	751,649
2035	421,143	245,000	87,600	332,600	753,743
2036	424,849	255,000	80,250	335,250	760,099
2037	427,701	265,000	72,600	337,600	765,301
2038	424,994	275,000	64,650	339,650	764,644
2039	426,325	285,000	56,400	341,400	767,725
2040	432,069	295,000	47,850	342,850	774,919
2041	432,031	305,000	39,000	344,000	776,031
2042	436,406	320,000	29,850	349,850	786,256
2043	-	330,000	20,250	350,250	350,250
2044	-	345,000	10,350	355,350	355,350
Total	\$9,799,343	\$5,670,000	\$2,614,525	\$8,284,525	\$18,083,868

Combined Average Annual Debt Service Requirement (2019–2044).....	\$695,533
Combined Maximum Annual Debt Service Requirement (2042).....	\$786,256

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Outstanding Bonds issued for the Road System and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. 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 and the Waller County Appraisal District (the "Appraisal Districts") have the responsibility for appraising property for all taxing units within Fort Bend County and Waller County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board and the Waller County Appraisal Review Board (the "Appraisal Review Boards"). The appraisal roll as approved by the Appraisal Review Boards must be used by the District in establishing its tax roll and tax rate.

Exempt Property

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

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. 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 transferred 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.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the reduction or cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date, the Board has not granted a residential homestead exemption.

Fort Bend County and Waller County may designate all or part of the area within the District as a reinvestment zone, and the Counties, or the District may thereafter enter into tax abatement agreements with owners of real property within the zone, with each taxing jurisdiction's agreement affecting its own tax roll. The tax abatement agreements exempt from ad valorem taxation by the applicable taxing jurisdiction (including the District with the District's consent) for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. In certain instances, personal property also may be eligible for tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property as defined by the Property Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. For tax year 2015 and subsequent years, such Goods-in-Transit Exemption is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. For tax year 2015 and subsequent years, a taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

County-Wide Appraisal District

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if

sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a landowner of qualified open-space land is a member of the United States Armed Forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the Appraisal Districts at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal Districts 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 Districts a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal Districts choose formally to include such values on its appraisal roll.

On August 25, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast, severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Hurricane Harvey." When requested by a local taxing unit, such as the District, the Appraisal Districts are 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. The District has not requested a reappraisal.

Assessment and Levy

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent. Personal property incurs an additional 20% penalty on or after April 1 of the year in which the taxes became delinquent and real property incurs such additional penalty on July 1 of the year in which the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in

installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards by filing a timely petition 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 Districts 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 value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 each 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. 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 "RISK FACTORS – Tax Collection Limitations" and "– Bondholders' Remedies."

Rollback of Operation and Maintenance Tax Rate

Under current law, 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.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are

classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed are classified herein as “Other Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

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

Developed Districts

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

Other Districts

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

The District

A determination as to a district’s status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the 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 unlimited amount, for operation and maintenance purposes. For the 2018 tax year, the District levied a total tax of \$1.500 per \$100 of assessed taxable valuation composed of the following: a tax in the amount of \$0.875 for maintenance and operations purposes; a tax in the amount of \$0.470 for payment of debt service on the Outstanding Bonds issued for the Utility System; and a tax in the amount of \$0.155 for payment of debt service on the Outstanding Bonds issued for the Road System.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount)
Road System Debt Service:	Unlimited (no legal limit as to rate or amount)
Maintenance and Operations:	\$1.50 per \$100 Assessed Taxable Value

Historical Values and Tax Collection History

The following statement of tax collections sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District’s annual audited financial statements, for more complete information. The District first levied an ad valorem tax in 2015.

Tax Year	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 3/31/19
2015	\$1,687,219	\$1.500	\$25,338	100.00%	2016	100.00%
2016	3,994,692	1.500	59,920	100.00	2017	100.00
2017	27,978,606	1.500	419,679	99.53	2018	100.00
2018	62,194,913	1.500	932,924	95.70 (a)	2019	95.70

(a) For the 2018 tax year, represents collections from October 1, 2019, through March 31, 2019.

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the 2015–2018 tax years.

Type of Property	2018 Taxable Assessed Valuation	2017 Taxable Assessed Valuation	2016 Taxable Assessed Valuation	2015 Taxable Assessed Valuation
Land	\$24,846,990	\$17,117,010	\$4,072,040	\$1,687,219
Improvements	39,101,720	10,853,967	0	0
Personal Property	272,892	286,793	1,881	2,535
Exemptions	(2,026,689)	(279,164)	(79,229)	(543)
Total	\$62,194,913	\$27,978,606	\$3,994,692	\$1,689,211

Tax Rate Distribution

The following table illustrates the breakdown of the District’s tax rate in the 2015–2018 tax years:

	2018	2017	2016	2015
Utility System Debt Service (a)	\$0.470	\$0.000	\$0.000	\$0.000
Road System Debt Service (a)	\$0.155	\$1.500	\$1.500	\$1.500
Maintenance & Operations	<u>\$0.875</u>	<u>\$1.500</u>	<u>\$1.500</u>	<u>\$1.500</u>
Total	\$1.500	\$1.500	\$1.500	\$1.500

(a) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued by the District for the Road System; both such taxes are unlimited as to rate or amount. See “THE BONDS – Authority for Issuance.”

Principal Taxpayers

Based upon information supplied by the Tax Assessor/Collector, the following table lists principal taxpayers in the District, the types of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2018.

Taxpayer	Type of Property	Assessed Valuation 2018 Tax Roll	Percent of 2018 Roll
Fort Bend Jordan Ranch LP (a)	Land & Improvements	\$2,697,630	4.34%
J Patrick Homes LTD	Land, Improvements & Personal	1,497,550	2.41%
Westin Homes and Properties LP	Land & Improvements	1,213,740	1.95%
Lennar Homes of Texas LTD	Land	1,197,500	1.93%
Perry Homes LLC	Land, Improvements & Personal	1,196,140	1.92%
Weekley Homes LLC	Land & Improvements	1,103,220	1.77%
MHI Partnership LTD	Land & Personal	820,490	1.32%
Highland Homes-Houston LLC	Land & Improvements	816,110	1.31%
Homeowner	Land & Improvements	458,120	0.74%
Homeowner	Land & Improvements	441,230	0.71%
Total		\$11,441,730	18.40%

(a) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain combined debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the District's assessed taxable valuation as of January 1, 2018 (\$62,194,913), the preliminary valuation as of January 1, 2019 (\$109,934,496), or the estimate of value as of May 15, 2019 (\$124,674,496). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Combined Average Annual Debt Service Requirement (2019–2044).....	\$695,533
Combined Debt Service Tax of \$1.18 on the 2018 Taxable Assessed Valuation produces	\$697,205
Combined Debt Service Tax of \$0.67 on the 2019 Preliminary Valuation produces.....	\$699,733
Combined Debt Service Tax of \$0.59 on the Estimate of Value as of May 15, 2019, produces	\$698,801
Combined Maximum Annual Debt Service Requirement (2042) on the Bonds.....	\$786,256
Combined Debt Service Tax of \$1.34 on the 2018 Taxable Assessed Valuation produces	\$791,741
Combined Debt Service Tax of \$0.76 on the 2019 Preliminary Valuation produces.....	\$793,727
Combined Debt Service Tax of \$0.67 on the Estimate of Value as of May 15, 2019, produces	\$793,553

[Remainder of this page intentionally left blank.]

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2018 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2018 Tax Rate	
	Fort Bend County	Waller County
The District	\$1.500000	\$1.500000
Fort Bend County	0.445000	--
Fort Bend County Drainage District	0.019000	--
Fort Bend County Emergency Services District No. 4	0.100000	--
Lamar Consolidated Independent School District	1.390000	--
Waller County	--	0.653978
Waller County FM Road	--	0.032878
Waller-Harris Emergency Services District No. 200	--	0.099500
Brookshire-Katy Drainage District	--	0.072000
Katy Independent School District	--	1.516600
Estimated Total Tax Rate	\$3.454000	\$3.874956

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature 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 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 financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual

periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment

applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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 events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (“EMMA”).

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings “DISTRICT DEBT,” “TAX DATA,” and in “APPENDIX A.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2019. The District will provide the updated information to the MSRB.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available. The District’s current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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 SEC Rule 15c2-12; (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; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15)

incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. 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 from MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

During 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

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as

described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the fiscal year ended December 31, 2018, were prepared by McGrath & Co., PLLC, Certified Public Accountants, and have been attached hereto as "APPENDIX A." McGrath & Co., PLLC, Certified Public Accountants, has agreed to the publication of such financial statements as part of this Official Statement.

Experts

The information contained in this Official Statement relating to development within the District generally and, in particular, the information in the section captioned "DEVELOPMENT WITHIN THE DISTRICT - Current Status" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering matters and to the description of the Utility System generally and, in particular, the engineering information included in the sections captioned "THE UTILITY SYSTEM" and "THE ROAD SYSTEM," has been provided by IDS Engineering Group. Such information has been included herein in reliance upon the authority of said firm as expert in the field of civil engineering.

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

Certification of Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or

estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fulshear Municipal Utility District No. 3A as of the date shown on the cover page thereof.

/s/ Glen Nordt
President, Board of Directors
Fulshear Municipal Utility District No. 3A

ATTEST:

/s/ John Saavedra
Secretary, Board of Directors
Fulshear Municipal Utility District No. 3A

APPENDIX A
Financial Statements of the District

**FULSHEAR MUNICIPAL
UTILITY DISTRICT NO. 3A**

FORT BEND AND WALLER COUNTIES, TEXAS

FINANCIAL REPORT

December 31, 2018

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	41
Long-Term Debt Service Requirements by Years	TSI-5	42
Change in Long-Term Bonded Debt	TSI-6	45
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	49

McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fulshear Municipal Utility District No. 3A
Fort Bend and Waller Counties, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fulshear Municipal Utility District No. 3A, as of and for the year ended December 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

***Board of Directors
Fulshear Municipal Utility District No. 3A
Fort Bend and Waller Counties, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fulshear Municipal Utility District No. 3A, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuire & Co, PC

Houston, Texas
April 23, 2019

Management's Discussion and Analysis

(This page intentionally left blank)

***Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018***

Using this Annual Report

Within this section of the financial report of Fulshear Municipal Utility District No. 3A (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at December 31, 2018, was negative \$7,755,262. The District's net position is negative because the District incurs debt to construct road facilities which it conveys to Fort Bend and Waller Counties. A comparative summary of the District's overall financial position, as of December 31, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 1,574,677	\$ 687,577
Capital assets	17,433,143	11,509,829
Total assets	<u>19,007,820</u>	<u>12,197,406</u>
Current liabilities	3,905,314	2,723,033
Long-term liabilities	21,924,694	11,813,238
Total liabilities	<u>25,830,008</u>	<u>14,536,271</u>
Total deferred inflows of resources	<u>933,074</u>	<u>404,543</u>
Net position		
Net investment in capital assets	(2,588,625)	(757,647)
Restricted	221,555	
Unrestricted	(5,388,192)	(1,985,761)
Total net position	<u>\$ (7,755,262)</u>	<u>\$ (2,743,408)</u>

***Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018***

The total net position of the District decreased during the current fiscal year by \$5,011,854. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Water and sewer service	\$ 207,066	\$ 123,544
Property taxes, penalties and interest	441,889	74,120
Other	531,402	270,455
Total revenues	<u>1,180,357</u>	<u>468,119</u>
Expenses		
Current service operations	1,148,937	686,909
Debt interest and fees	226,894	34,106
Developer interest	334,721	
Debt issuance costs	613,572	65,299
Depreciation and amortization	512,245	346,164
Total expenses	<u>2,836,369</u>	<u>1,132,478</u>
Change in net position before other item	(1,656,012)	(664,359)
Other item		
Transfers to other governments	<u>(3,355,842)</u>	
Change in net position	(5,011,854)	(664,359)
Net position, beginning of year	<u>(2,743,408)</u>	<u>(2,079,049)</u>
Net position, end of year	<u>\$ (7,755,262)</u>	<u>\$ (2,743,408)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2018, were \$438,718, which consists of \$235,727 in the General Fund, \$221,555 in the Debt Service Fund, and negative \$18,564 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 982,905</u>	<u>\$ 584,612</u>
Total liabilities	\$ 202,885	\$ 168,927
Total deferred inflows	544,293	404,543
Total fund balance	<u>235,727</u>	<u>11,142</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 982,905</u>	<u>\$ 584,612</u>

***Fulshear Municipal Utility District No. 3A
 Management’s Discussion and Analysis
 December 31, 2018***

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 1,179,340	\$ 468,012
Total expenditures	<u>(954,755)</u>	<u>(495,169)</u>
Revenues over/(under) expenditures	224,585	(27,157)
Other changes in fund balance		140,000
Net change in fund balance	<u>\$ 224,585</u>	<u>\$ 112,843</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values in the District increased.
- Water, sewer and ground water pumpage revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Tap connection fees fluctuate with homebuilding activity within the District.

During the previous fiscal year, financial resources included advances from the District’s developer to pay operating costs.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of December 31, 2018 is as follows:

Total assets	<u>\$ 610,336</u>
Total deferred inflows	388,781
Total fund balance	<u>221,555</u>
Total deferred inflows and fund balance	<u>\$ 610,336</u>

***Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018***

A summary of activities of the Debt Service Fund for the current year is as follows:

Total revenues	\$ 624
Total expenditures	<u>(114,655)</u>
Revenues under expenditures	(114,031)
Other changes in fund balance	<u>335,586</u>
Net change in fund balance	<u><u>\$ 221,555</u></u>

The District's financial resources in the Debt Service Fund are from capitalized interest from the sale of bonds. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 26,758</u>	<u>\$ 102,965</u>
Total liabilities	\$ 45,322	\$ -
Total fund balance	<u>(18,564)</u>	<u>102,965</u>
Total liabilities and fund balance	<u><u>\$ 26,758</u></u>	<u><u>\$ 102,965</u></u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 393	\$ 107
Total expenditures	<u>(6,976,639)</u>	<u>(2,375,848)</u>
Revenues under expenditures	(6,976,246)	(2,375,741)
Other changes in fund balance	<u>6,854,717</u>	<u>2,478,706</u>
Net change in fund balance	<u><u>\$ (121,529)</u></u>	<u><u>\$ 102,965</u></u>

The District's capital asset activity in the current year was financed with proceeds from the issuance of its Series 2018 Unlimited Tax Bonds, Series 2018 Unlimited Tax Road Bonds, and Series 2018 Bond Anticipation Note. In the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2017 Bond Anticipation Note.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

***Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018***

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$152,926 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	\$ 4,955,318	\$ 2,582,399
Capital assets being depreciated/amortized:		
Infrastructure	9,010,845	5,806,905
Landscaping improvements	3,615,804	3,615,804
Capacity charges	858,700	
	<u>13,485,349</u>	<u>9,422,709</u>
Less accumulated depreciation/amortization:		
Infrastructure	(623,924)	(314,488)
Landscaping improvements	(361,582)	(180,791)
Capacity charges	(22,018)	
	<u>(1,007,524)</u>	<u>(495,279)</u>
Depreciable capital assets, net	<u>12,477,825</u>	<u>8,927,430</u>
Capital assets, net	<u>\$ 17,433,143</u>	<u>\$ 11,509,829</u>

During the current year, it was determined that certain depreciable stormwater detention facilities had previously been classified as land instead of infrastructure. As a result, a total of \$740,506 reported as land in the prior year has been reclassified to infrastructure. This reclassification had no impact on total assets or net position.

Capital asset additions during the current year include the following:

- Jordan Ranch Street Dedication No. 2 and reserves
- Utilities to serve Jordan Ranch, Sections 8 - 12 and 14
- Jordan Ranch Phase 1B detention facilities
- Capacity in Willow Creek Farms MUD Wastewater Treatment Plant Phase 3 expansion
- Stormwater detention basins 3A, 3B, 3C & 4 – 20.042 acres

***Fulshear Municipal Utility District No. 3A
Management’s Discussion and Analysis
December 31, 2018***

Fort Bend and Waller Counties assume responsibility for all road facilities constructed within their respective boundaries. Consequently, these projects are not recorded as capital assets on the District’s financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended December 31, 2018, capital assets in the amount of \$3,355,842 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of December 31, 2018, the District owes \$15,624,694 to its developer for completed projects and operating advances. As discussed in Note 7, the District has an additional commitment in the amount of \$4,391,836 for projects under construction by the developer. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District’s financial statements. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost is trued up when the developer is reimbursed.

During the current year, the District issued \$4,860,000 in unlimited tax utility bonds and \$1,600,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of December 31, 2017.

At December 31, 2018, the District had \$159,440,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$246,450,000 for the refunding of such bonds; \$86,300,000 for road improvements and \$131,850,000 for the refunding of such bonds and \$38,000,000 for parks and recreational facilities.

During the year, the District issued a \$3,440,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year’s Budget

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

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 1,179,340	\$ 1,180,500
Total expenditures	<u>(954,755)</u>	<u>(950,152)</u>
Revenues over expenditures	224,585	230,348
Beginning fund balance	11,142	235,727
Ending fund balance	<u><u>\$ 235,727</u></u>	<u><u>\$ 466,075</u></u>

*Fulshear Municipal Utility District No. 3A
Management's Discussion and Analysis
December 31, 2018*

Property Taxes

The District's property tax base increased approximately \$35,362,000 for the 2018 tax year from \$26,842,856 to \$62,204,913. This increase was primarily due to new construction in the District. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.875 per \$100 of assessed value, a water, sewer, and drainage debt service tax rate of \$0.47 per \$100 of assessed value and a road debt service tax rate of \$0.155, for a total combined tax rate of \$1.50 per \$100. Tax rates for the 2017 tax year was \$1.50 per \$100 for maintenance and operations.

Basic Financial Statements

Fulshear Municipal Utility District No. 3A
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 927,029	\$ 221,555	\$ 26,758	\$ 1,175,342	\$ -	\$ 1,175,342
Taxes receivable	196,611	140,437		337,048		337,048
Customer service receivables	61,725			61,725		61,725
Internal balances (Note 4)	(203,022)	248,344	(45,322)			
Prepaid items	562			562		562
Capital assets not being depreciated (Note 5)					4,955,318	4,955,318
Capital assets, net (Note 5)					12,477,825	12,477,825
Total Assets	\$ 982,905	\$ 610,336	\$ (18,564)	\$ 1,574,677	17,433,143	19,007,820
Liabilities						
Accounts payable	\$ 136,495	\$ -	\$ -	\$ 136,495		136,495
Other payables	9,085			9,085		9,085
Customer deposits	45,625			45,625		45,625
Unearned revenue	11,680			11,680		11,680
Accrued interest payable					102,429	102,429
Bond anticipation note payable (Note 6)					3,440,000	3,440,000
Due to developer (Note 7)					15,624,694	15,624,694
Long-term debt						
Due within one year					160,000	160,000
Due after one year					6,300,000	6,300,000
Total Liabilities	202,885			202,885	25,627,123	25,830,008
Deferred Inflows of Resources						
Deferred property taxes (Note 1)	544,293	388,781		933,074		933,074
Fund Balances/Net Position						
Fund Balances						
Nonspendable	562			562	(562)	
Restricted		221,555		221,555	(221,555)	
Unassigned	235,165		(18,564)	216,601	(216,601)	
Total Fund Balances	235,727	221,555	(18,564)	438,718	(438,718)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 982,905	\$ 610,336	\$ (18,564)	\$ 1,574,677		
Net Position						
Net investment in capital assets					(2,588,625)	(2,588,625)
Restricted for debt service					221,555	221,555
Unrestricted					(5,388,192)	(5,388,192)
Total Net Position					\$ (7,755,262)	\$ (7,755,262)

See notes to basic financial statements.

Fulshear Municipal Utility District No. 3A
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 77,256	\$ -	\$ -	\$ 77,256	\$ -	\$ 77,256
Sewer service	129,810			129,810		129,810
Property taxes	427,616			427,616		427,616
Penalties and interest	14,273			14,273		14,273
Ground water pumpage fees	184,761			184,761		184,761
Tap connection and inspection	338,310			338,310		338,310
Miscellaneous	6,723			6,723		6,723
Investment earnings	591	624	393	1,608		1,608
Total Revenues	1,179,340	624	393	1,180,357		1,180,357
Expenditures/Expenses						
Current service operations						
Purchased services	284,251			284,251		284,251
Professional fees	146,603		182,731	329,334		329,334
Contracted services	230,985			230,985		230,985
Repairs and maintenance	92,090			92,090		92,090
Utilities	2,093			2,093		2,093
Regional Water Authority costs	155,131			155,131		155,131
Administrative	33,757			33,757		33,757
Other	9,845	307	11,144	21,296		21,296
Capital outlay (Note 7)			5,790,248	5,790,248	(5,790,248)	
Debt service						
Interest and fees		114,348	44,223	158,571	68,323	226,894
Developer interest			334,721	334,721		334,721
Debt issuance costs			613,572	613,572		613,572
Depreciation/amortization (Note 5)					512,245	512,245
Total Expenditures/Expenses	954,755	114,655	6,976,639	8,046,049	(5,209,680)	2,836,369
Revenues Over/(Under) Expenditures	224,585	(114,031)	(6,976,246)	(6,865,692)	5,209,680	(1,656,012)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds (Note 8)		335,586	6,124,414	6,460,000	(6,460,000)	
Proceeds from bond anticipation note (Note 6)			3,440,000	3,440,000	(3,440,000)	
Repayment of bond anticipation note (Note 6)			(2,520,000)	(2,520,000)	2,520,000	
Repayment of operating advances (Note 7)			(189,697)	(189,697)	189,697	
Other Item						
Transfers to other governments (Note 10)					(3,355,842)	(3,355,842)
Net Change in Fund Balances	224,585	221,555	(121,529)	324,611	(5,336,465)	
Change in Net Position					(5,011,854)	(5,011,854)
Fund Balances/Net Position						
Beginning of the year	11,142		102,965	114,107	(2,857,515)	(2,743,408)
End of the year	\$ 235,727	\$ 221,555	\$ (18,564)	\$ 438,718	\$ (13,205,834)	\$ (7,755,262)

See notes to basic financial statements.

(This page intentionally left blank)

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fulshear Municipal Utility District No. 3A (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

Fulshear Municipal Utility District No. 3 (“MUD 3”) was created pursuant to Senate Bill 1910, 83rd Legislature of the State of Texas, Regular Session, (the “Act”) codified as Chapter 8487, Texas Special District Local Laws Code, in accordance with Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and confirmed at an election held on May 9, 2015. On August 18, 2015, the City Council of the City of Fulshear consented to the division of MUD 3 into two Districts: Fulshear Municipal Utility District No. 3A (the “District”) and Fulshear Municipal Utility District No. 3B (“MUD 3B”). The District operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 21, 2015 and the first bonds were sold on February 27, 2018.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes. During the current year, financial resources consisted of capital interest from the sale of bonds.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2018, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Capital Assets

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

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities and landscaping improvements, are depreciated/amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Landscaping improvements	20 years
Capacity charges	Remaining life of contract

The District’s detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, collections of the 2018 property tax levy are not considered current year revenues and, consequently, are reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2018 property tax levy, which was levied to finance the 2019 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of capitalized interest from the sale of bonds in the Debt Service Fund.

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

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

Unassigned - all other spendable amounts in the General Fund and deficient balance in other funds.

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

Use of Estimates

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

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental fund		\$ 438,718
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 18,440,667	
Less accumulated depreciation/amortization	<u>(1,007,524)</u>	
Change due to capital assets		17,433,143
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(6,460,000)	
Bond anticipation note payable	(3,440,000)	
Interest payable on bond anticipation note	<u>(102,429)</u>	
Change due to long-term debt		(10,002,429)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(15,624,694)
Total net position - governmental activities		<u><u>\$ (7,755,262)</u></u>

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

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

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

Net change in fund balance - governmental fund \$ 324,611

Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the *Statement of Net Position*. In the *Statement of Activities*, the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.

Capital outlays	\$ 5,790,248	
Depreciation/amortization expense	(512,245)	
		5,278,003

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

Issuance of long term debt	(6,460,000)	
Repayment of bond anticipation note	2,520,000	
Bond anticipation note proceeds	(3,440,000)	
Interest expense accrual	(68,323)	
		(7,448,323)

Amounts repaid to the District's developer for operating advances do not use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 189,697

The District conveys public roads to Fort Bend and Waller counties upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (3,355,842)

Change in net position of governmental activities \$ (5,011,854)

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 248,344	Debt service and road debt service collections not remitted as of year end
General Fund	Capital Projects Fund	45,322	Bond application fees paid by the General Fund

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

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2018, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 2,582,399	\$ 2,372,919	\$ 4,955,318
Capital assets being depreciated/amortized:			
Infrastructure	5,806,905	3,203,940	9,010,845
Landscaping improvements	3,615,804		3,615,804
Capacity charges		858,700	858,700
	<u>9,422,709</u>	<u>4,062,640</u>	<u>13,485,349</u>
Less accumulated depreciation/amortization:			
Infrastructure	(314,488)	(309,436)	(623,924)
Landscaping improvements	(180,791)	(180,791)	(361,582)
Capacity charges		(22,018)	(22,018)
	<u>(495,279)</u>	<u>(512,245)</u>	<u>(1,007,524)</u>
Subtotal depreciable capital assets, net	<u>8,927,430</u>	<u>3,550,395</u>	<u>12,477,825</u>
Capital assets, net	<u>\$ 11,509,829</u>	<u>\$ 5,923,314</u>	<u>\$ 17,433,143</u>

Depreciation/amortization expense for the current year was \$512,245.

During the current year, it was determined that certain depreciable stormwater detention facilities had previously been classified as land instead of infrastructure. A total of \$740,506 reported as land in the prior year has been reclassified to infrastructure. This reclassification had no impact on total assets or net position.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developer. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,520,000. This BAN was repaid on February 27, 2018 with proceeds from the issuance of the District's Series 2018 Unlimited Tax Bonds.

On September 27, 2018, the District issued a \$3,440,000 BAN with an interest rate of 3.00% which is due on September 26, 2019.

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 6 – Bond Anticipation Note (continued)

The effect of these transactions on the District’s short term obligations are as follows:

Beginning balance	\$ 2,520,000
Amounts borrowed	3,440,000
Amounts repaid	<u>(2,520,000)</u>
Ending balance	<u><u>\$ 3,440,000</u></u>

Note 7 – Due to Developer

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

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

Due to developer, beginning of year	\$ 11,813,238
Developer reimbursements	(5,790,248)
Developer funded construction and adjustments	9,791,401
Repayment of operating advances	<u>(189,697)</u>
Due to developer, end of year	<u><u>\$ 15,624,694</u></u>

In addition, the District will owe the developer approximately \$4,391,836, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Jordan Ranch Phase 1B, Section 8-12 - landscaping	\$ 983,824	\$ 859,533	\$ 124,291
Utilities and paving to serve Jordan Ranch Sections 15	1,277,088		1,277,088
Storm water detention facilities to serve Jordan Ranch Phase 2	872,632		872,632
Utilities and paving to serve Jordan Ranch Street Dedication No. 4 and Reserves	1,258,291		1,258,291
	<u><u>\$ 4,391,836</u></u>	<u><u>\$ 859,533</u></u>	<u><u>\$ 3,532,303</u></u>

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 6,460,000</u>
Due within one year	<u>\$ 160,000</u>

The District’s bonds payable at December 31, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2018	\$ 4,860,000	\$ 4,860,000	2.00% - 4.00%	September 1, 2019 - 2042	March 1, September 1	September 1, 2023
2018 Road	1,600,000	1,600,000	2.00% - 4.00%	September 1, 2019 - 2042	March 1, September 1	September 1, 2023
	<u>\$ 6,460,000</u>					

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

At December 31, 2018, the District had \$159,440,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$246,450,000 for the refunding of such bonds; \$86,300,000 for road improvements and \$131,850,000 for the refunding of such bonds; and \$38,000,000 for parks and recreational facilities.

On February 27, 2018, the District issued its \$4,860,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 3.849404%. Proceeds of the bonds were used (1) to reimburse the developer for the following: the construction of capital assets within the District; engineering and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; operating advances; and creation costs, (2) to pay developer interest at the net effective interest rate of the bonds, (3) to pay capitalized interest into the Debt Service Fund and (4) to repay a \$2,520,000 BAN issued in the previous fiscal year.

On February 27, 2018, the District issued its \$1,600,000 Series 2018 Unlimited Tax Road Bonds at a net effective interest rate of 3.861391%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering and other costs associated with the construction of capital assets; (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 8 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ -
Bonds issued	6,460,000
Bonds payable, end of year	<u><u>\$ 6,460,000</u></u>

As of December 31, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 160,000	\$ 223,724	\$ 383,724
2020	165,000	220,524	385,524
2021	175,000	216,832	391,832
2022	180,000	212,632	392,632
2023	185,000	208,087	393,087
2024	200,000	203,209	403,209
2025	205,000	197,634	402,634
2026	215,000	191,639	406,639
2027	225,000	185,189	410,189
2028	235,000	178,214	413,214
2029	245,000	170,694	415,694
2030	250,000	162,609	412,609
2031	265,000	152,969	417,969
2032	275,000	142,694	417,694
2033	285,000	132,044	417,044
2034	300,000	121,999	421,999
2035	310,000	111,143	421,143
2036	325,000	99,849	424,849
2037	340,000	87,701	427,701
2038	350,000	74,994	424,994
2039	365,000	61,325	426,325
2040	385,000	47,069	432,069
2041	400,000	32,031	432,031
2042	420,000	16,406	436,406
	<u><u>\$ 6,460,000</u></u>	<u><u>\$ 3,451,211</u></u>	<u><u>\$ 9,911,211</u></u>

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 9 – Property Taxes

On November 12, 2015, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value, for use in financing road improvements to \$1.50 per \$100 of assessed value, and for financing parks and recreational improvements to \$0.10 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$402,643 on the adjusted taxable value of \$26,842,856.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2018 levy collections in the amount of \$596,026 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2018 tax levy of \$933,074 is reported as deferred inflows. These amounts will be recognized as revenue in 2019.

Note 10 – Transfers to Other Governments

Fort Bend and Waller counties assume responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of Fort Bend and Waller counties, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2018, the District recorded transfers to other governments in the amount of \$3,355,842 for road facilities constructed by the developer within the District.

Note 11 – North Fort Bend Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the “Authority”), which was created by the Texas Legislature. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Coastal Subsidence District, which regulates groundwater withdrawal.

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 11 – North Fort Bend Water Authority (continued)

As of December 31, 2018, the Authority's rates are \$3.35 per 1,000 gallons of water pumped from the District's wells and \$3.70 for surface water supplied to the District. These rates are subject to future increases. The District passes these costs on to its customers plus 10%. During the current year, the District recognized \$184,761 in ground water pumpage revenues and \$155,131 in expenditures related to surface water conversion.

Note 12 – Utility Agreement with the City of Fulshear

Fulshear Municipal Utility District No. 3 entered into a Utility Agreement with the City of Fulshear (the "City") on March 2, 2015. Fulshear Municipal Utility District No. 3 was subsequently divided into Fulshear Municipal Utility District No. 3A (the "District") and Fulshear Municipal Utility District No. 3B ("MUD 3B"), and on March 15, 2016, an amended and restated utility agreement (the "Agreement") was entered into with the City, the District and MUD 3B. Pursuant to the Agreement, each MUD district will provide water supply and distribution, wastewater collection and treatment and drainage services to serve each respective District.

The wastewater collection services will be provided on a temporary basis. The City will construct a wastewater conveyance trunkline that will extend to the periphery of the Districts no later than March 2020. Once construction of the trunkline is complete, the Districts will be connected to the City's regionalized wastewater system. Each District will pay the City a \$1,820.50 capital recovery fee per equivalent single-family connection ("ESFC") within its boundaries. Each District will also be entitled to a credit against such fees in an amount equal to amounts expended to construct permanent sewage treatment facilities to serve development within its boundaries. The term of the agreement is 45 years.

Note 13 – Agreement with Fulshear Municipal Utility District No. 3B

Agreement for Joint Financing, Construction and Maintenance of Water Line, Sewer Line, and Storm Sewer Facilities

On February 28, 2017, the District and MUD 3B entered into a Joint Facilities Agreement, whereby each district agrees to share the cost for the financing and operation of joint water lines, sewer lines, and storm sewer facilities that serve the areas within both districts. MUD 3B will hold title to the water lines, sewer lines, and storm sewer facilities with each district owning equitable interest based on the pro-rata share of the facilities. MUD 3B will be responsible for the maintenance and operation of the facilities and will bill the District for maintenance and operating costs based on its pro-rata share of active connections.

Each district will finance, own and operate their respective internal water, sanitary sewer and storm sewer systems.

Fulshear Municipal Utility District No. 3A
Notes to Basic Financial Statements
December 31, 2018

Note 13 – Agreement with Fulshear Municipal Utility District No. 3B (continued)

Agreement for Joint Water Plant

On February 28, 2017, the District and MUD 3B entered into a Joint Water Plant Agreement, in which MUD 3B assigned a portion of its capacity in the water plant jointly owned by Willow Creek Farms Municipal Utility District (“WCF MUD”) and MUD 3B. The agreement establishes the terms under which the District will participate in the ownership, construction, operation, maintenance and expansion of the water plant and related appurtenances to treat and distribute water within the District and MUD 3B.

MUD 3B will hold legal title to the water plant for the benefit of both districts. The term of the agreement is 40 years. Pursuant to the agreement, each district will have an undivided equitable interest in the water plant based on each districts’ proportionate share of equivalent single-family connections (“ESFCs”). The District is responsible for the construction of the facilities necessary to connect to the WCF water plant.

Each party is billed monthly for maintenance and operating costs based on each District’s proportionate share in accordance with the agreement. During the current year, the District recorded expenditures in the amount of \$59,590 for joint water plant operations.

Agreement for Joint Wastewater Treatment Plant

On February 28, 2017, the District and MUD 3B entered into a Joint Wastewater Treatment Plant Agreement, in which MUD 3B assigned a portion of its capacity in the wastewater treatment plant jointly owned by Willow Creek Farms Municipal Utility District (“WCF MUD”) and MUD 3B. The agreement establishes the terms under which the District will participate in the ownership, construction, operation, maintenance and expansion of the water plant and related appurtenances to treat and distribute water within the District and MUD 3B.

MUD 3B will hold legal title to the interests in the joint wastewater treatment plant for the benefit of both districts. The term of the agreement is 40 years. Pursuant to the agreement, each district will have an undivided equitable interest in the joint wastewater treatment plant based on each districts’ proportionate share of capacity.

Each party will be billed monthly for maintenance and operating costs based on each District’s proportionate share in accordance with the agreement. During the current year, the District recorded expenditures in the amount of \$224,660 for joint wastewater treatment plant operations.

Note 14 – Risk Management

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

(This page intentionally left blank)

Required Supplementary Information

*Fulshear Municipal Utility District No. 3A
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2018*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 125,000	\$ 77,256	\$ (47,744)
Sewer service	125,000	129,810	4,810
Property taxes	396,161	427,616	31,455
Penalties and interest	10,000	14,273	4,273
Ground water pumpage fees	50,000	184,761	134,761
Tap connection and inspection	150,000	338,310	188,310
Miscellaneous		6,723	6,723
Investment earnings	50	591	541
Total Revenues	<u>856,211</u>	<u>1,179,340</u>	<u>323,129</u>
Expenditures			
Current service operations			
Purchased services	294,552	284,251	10,301
Professional fees	122,500	146,603	(24,103)
Contracted services	131,500	230,985	(99,485)
Repairs and maintenance	152,000	92,090	59,910
Utilities	2,000	2,093	(93)
Regional Water Authority costs	50,000	155,131	(105,131)
Administrative	31,000	33,757	(2,757)
Other	1,000	9,845	(8,845)
Total Expenditures	<u>784,552</u>	<u>954,755</u>	<u>(170,203)</u>
Revenues Over Expenditures	71,659	224,585	152,926
Fund Balance			
Beginning of the year	11,142	11,142	
End of the year	<u>\$ 82,801</u>	<u>\$ 235,727</u>	<u>\$ 152,926</u>

Fulshear Municipal Utility District No. 3A
Notes to Required Supplementary Information
December 31, 2018

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

(This page intentionally left blank)

Texas Supplementary Information

Fulshear Municipal Utility District No. 3A
TSI-1. Services and Rates
December 31, 2018

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

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

2. Retail Service Providers

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>	
Water:	\$ 18.00	N/A	N	\$ 1.20	10,001	to 15,000
				\$ 1.50	15,001	to 20,000
				\$ 1.75	20,001	to 25,000
				\$ 2.00	25,001	to no limit
Wastewater:	\$ 32.50	N/A	Y			to _____
Surcharge:	\$ -	0	N	\$ 3.35	0	to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 51.50 Wastewater \$ 32.50

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered			x 1.0	
less than 3/4"	231	230	x 1.0	230
1"	136	135	x 2.5	338
1.5"	1	1	x 5.0	5
2"	13	13	x 8.0	104
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	381	379		677
Total Wastewater	359	357	x 1.0	357

See accompanying auditor's report.

Fulshear Municipal Utility District No. 3A
TSI-1. Services and Rates
December 31, 2018

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

Gallons purchased from Willow Creek Farms MUD:	<u>52,978,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons purchased)
Gallons billed to customers:	<u>51,305,000</u>	<u>96.84%</u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

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

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Fort Bend and Waller Counties

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

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Fulshear

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fulshear Municipal Utility District No. 3A
 TSI-2 General Fund Expenditures
 For the Year Ended December 31, 2018*

Purchased services	<u>\$ 284,251</u>
Professional fees	
Legal	74,559
Audit	7,000
Engineering	65,044
	<u>146,603</u>
Contracted services	
Bookkeeping	14,750
Operator	8,598
Garbage collection	30,411
Tap connection and inspection	167,888
Tax assessor-collector fees	6,000
Appraisal district fees	3,338
	<u>230,985</u>
Repairs and maintenance	<u>92,090</u>
Utilities	<u>2,093</u>
Regional Water Authority costs	<u>155,131</u>
Administrative	
Directors fees	7,200
Printing and office supplies	14,454
Insurance	4,453
Other	7,650
	<u>33,757</u>
Other	<u>9,845</u>
Total expenditures	<u><u>\$ 954,755</u></u>

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-4. Taxes Levied and Receivable
December 31, 2018

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 210,712	\$ -	\$ -	\$ 210,712
Adjustments to Prior Year Tax Levy	(1,901)			(1,901)
Adjusted Receivable	208,811			208,811
2018 Original Tax Levy	548,695	294,728	97,197	940,620
Adjustments	(4,402)	(2,364)	(780)	(7,546)
Adjusted Tax Levy	544,293	292,364	96,417	933,074
Rollback Taxes	34,316			34,316
Total to be accounted for	787,420	292,364	96,417	1,176,201
Tax collections:				
Current year	347,682	186,755	61,589	596,026
Prior years	243,127			243,127
Total Collections	590,809	186,755	61,589	839,153
Taxes Receivable, End of Year	\$ 196,611	\$ 105,609	\$ 34,828	\$ 337,048
Taxes Receivable, By Years				
2018	\$ 196,611	\$ 105,609	\$ 34,828	\$ 337,048
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 32,320,860	\$ 25,175,940	\$ 7,083,170	\$ 5,586,430
Improvements	39,119,780	10,853,967		
Personal Property	272,892	286,793	1,881	2,535
Exemptions	(9,508,619)	(9,473,844)	(3,592,439)	(5,300,353)
Total Property Valuations	\$ 62,204,913	\$ 26,842,856	\$ 3,492,612	\$ 288,612
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.875	\$ 1.50	\$ 1.50	\$ 1.50
WSD debt service tax rates	0.470			
Road debt service tax rates	0.155			
Total Tax Rates per \$100 Valuation	\$ 1.500	\$ 1.50	\$ 1.50	\$ 1.50
Adjusted Tax Levy:	\$ 933,074	\$ 402,643	\$ 52,389	\$ 4,329
Percentage of Taxes Collected to Taxes Levied ****	63.88%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 12, 2015

** Maximum Road Tax Rate Approved by Voters: \$1.50 on November 12, 2015

*** Maximum Park Tax Rate Approved by Voters: \$0.10 on November 12, 2015

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

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
December 31, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 120,000	\$ 168,486	\$ 288,486
2020	125,000	166,086	291,086
2021	130,000	163,274	293,274
2022	135,000	160,154	295,154
2023	140,000	156,779	296,779
2024	150,000	153,139	303,139
2025	155,000	149,014	304,014
2026	160,000	144,519	304,519
2027	170,000	139,719	309,719
2028	175,000	134,449	309,449
2029	185,000	128,849	313,849
2030	190,000	122,744	312,744
2031	200,000	115,144	315,144
2032	205,000	107,144	312,144
2033	215,000	98,944	313,944
2034	225,000	91,419	316,419
2035	235,000	83,263	318,263
2036	245,000	74,744	319,744
2037	255,000	65,556	320,556
2038	265,000	55,994	320,994
2039	275,000	45,725	320,725
2040	290,000	35,069	325,069
2041	300,000	23,831	323,831
2042	315,000	12,206	327,206
	<u>\$ 4,860,000</u>	<u>\$ 2,596,251</u>	<u>\$ 7,456,251</u>

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
December 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 40,000	\$ 55,238	\$ 95,238
2020	40,000	54,438	94,438
2021	45,000	53,558	98,558
2022	45,000	52,478	97,478
2023	45,000	51,308	96,308
2024	50,000	50,070	100,070
2025	50,000	48,620	98,620
2026	55,000	47,120	102,120
2027	55,000	45,470	100,470
2028	60,000	43,765	103,765
2029	60,000	41,845	101,845
2030	60,000	39,865	99,865
2031	65,000	37,825	102,825
2032	70,000	35,550	105,550
2033	70,000	33,100	103,100
2034	75,000	30,580	105,580
2035	75,000	27,880	102,880
2036	80,000	25,105	105,105
2037	85,000	22,145	107,145
2038	85,000	19,000	104,000
2039	90,000	15,600	105,600
2040	95,000	12,000	107,000
2041	100,000	8,200	108,200
2042	105,000	4,200	109,200
	<u>\$ 1,600,000</u>	<u>\$ 854,960</u>	<u>\$ 2,454,960</u>

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 160,000	\$ 223,724	\$ 383,724
2020	165,000	220,524	385,524
2021	175,000	216,832	391,832
2022	180,000	212,632	392,632
2023	185,000	208,087	393,087
2024	200,000	203,209	403,209
2025	205,000	197,634	402,634
2026	215,000	191,639	406,639
2027	225,000	185,189	410,189
2028	235,000	178,214	413,214
2029	245,000	170,694	415,694
2030	250,000	162,609	412,609
2031	265,000	152,969	417,969
2032	275,000	142,694	417,694
2033	285,000	132,044	417,044
2034	300,000	121,999	421,999
2035	310,000	111,143	421,143
2036	325,000	99,849	424,849
2037	340,000	87,701	427,701
2038	350,000	74,994	424,994
2039	365,000	61,325	426,325
2040	385,000	47,069	432,069
2041	400,000	32,031	432,031
2042	420,000	16,406	436,406
	<u>\$ 6,460,000</u>	<u>\$ 3,451,211</u>	<u>\$ 9,911,211</u>

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-6. Change in Long-Term Bonded Debt
December 31, 2018

	Bond Issue		Totals
	Series 2018	Series 2018 Road	
Interest rate	2.00% - 4.00%	2.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/19-9/1/42	9/1/19-9/1/42	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	4,860,000	1,600,000	6,460,000
Ending bonds outstanding	<u>\$ 4,860,000</u>	<u>\$ 1,600,000</u>	<u>\$ 6,460,000</u>
Interest paid during fiscal year	<u>\$ 28,233</u>	<u>\$ 86,115</u>	<u>\$ 114,348</u>

Paying agent's name and city
All series

Regions Bank, an Alabama state banking corporation, Houston, TX

	Water, Sewer and Drainage Bonds	Water, Sewer and Drainage Refunding Bonds	Road Bonds	Road Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 164,300,000	\$ 246,450,000	\$ 87,900,000	\$ 131,850,000
Amount Issued	(4,860,000)		(1,600,000)	
Remaining To Be Issued	<u>\$ 159,440,000</u>	<u>\$ 246,450,000</u>	<u>\$ 86,300,000</u>	<u>\$ 131,850,000</u>

	Parks and Recreational Facilities
Bond Authority:	
Amount Authorized by Voters	\$ 38,000,000
Amount Issued	
Remaining To Be Issued	<u>\$ 38,000,000</u>

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

Debt Service Fund cash and investments balances as of December 31, 2018: \$ 221,555

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 412,967

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2018	2017	2016	2015**
Revenues				
Water service	\$ 77,256	\$ 63,293	\$ 13,353	\$ -
Sewer service	129,810	60,251	10,111	
Property taxes	427,616	63,009	9,673	
Penalties and interest	14,273	11,111	1,110	
Ground water pumpage fees	184,761	143,498	22,168	
Tap connection and inspection	338,310	124,360	115,600	
Miscellaneous	6,723	2,380		
Investment earnings	591	110	28	
Total Revenues	1,179,340	468,012	172,043	
Expenditures				
Current service operations				
Purchased services	284,251	44,381	7,966	
Professional fees	146,603	120,762	190,890	103,963
Contracted services	230,985	82,309	83,368	3,538
Repairs and maintenance	92,090	190,043	48,956	
Utilities	2,093	475		
Regional Water Authority costs	155,131	36,334		
Administrative	33,757	20,855	13,603	8,322
Other	9,845	10		638
Total Expenditures	954,755	495,169	344,783	116,461
Revenues Over/(Under) Expenditures	\$ 224,585	\$ (27,157)	\$ (172,740)	\$ (116,461)
Total Active Retail Water Connections	379	189	85	N/A
Total Active Retail Wastewater Connections	357	174	73	N/A

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015**
7%	14%	8%	
11%	13%	6%	
36%	13%	6%	
1%	2%	1%	
16%	30%	13%	
29%	27%	66%	
1%	1%		
*	*	*	
101%	100%	100%	N/A
24%	9%	5%	
12%	26%	111%	N/A
20%	18%	48%	N/A
8%	41%	28%	
*	*		
13%	8%		
3%	4%	8%	N/A
1%	*		N/A
81%	106%	200%	N/A
20%	(6%)	(100%)	N/A

Fulshear Municipal Utility District No. 3A

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Current Fiscal Year*

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
Revenues		
Investment earnings	<u>\$ 624</u>	<u>100%</u>
Expenditures		
Other	307	49%
Debt service		
Interest and fees	<u>114,348</u>	<u>18325%</u>
Total Expenditures	<u>114,655</u>	<u>18374%</u>
Revenues Under Expenditures	<u>\$ (114,031)</u>	<u>(18274)%</u>

*Percentage is negligible

See accompanying auditors' report.

Fulshear Municipal Utility District No. 3A
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended December 31, 2018

Complete District Mailing Address: 9 Greenway Plaza, Suite 1100, Houston, Texas 77046-3653
District Business Telephone Number: (713) 651-0111
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): March 20, 2018
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Glen Nordt	5/18 - 5/22	\$ 1,650	\$ 757	President
Cody Wall	5/18 - 5/22	1,050	538	Vice President
John Saavedra	3/16 - 5/20	1,350	997	Secretary
Caleb Davis	5/18 - 5/22	1,650	680	Assistant Secretary
Brian Harbuck	3/16 - 5/20	1,500	1,029	Assistant Secretary
Consultants				
		Amounts Paid		
Coats Rose, P.C.	2015	\$ 289,411		Attorney
Si Environmental, LLC	2015	166,291		Operator
Myrtle Cruz, Inc.	2015	26,550		Bookkeeper
Utility Tax Service, LLC	2015	10,127		Tax Collector
Fort Bend Central Appraisal District	Legislation	2,755		Property Valuation
Waller County Appraisal District	Legislation	583		Property Valuation
Coats Rose, P.C.	2015			Delinquent Tax Attorney
IDS Engineering Group, Inc.	2015	154,669		Engineer
McGrath & Co., PLLC	2017	24,000		Auditor
Robert W. Baird & Co.	2015	166,068		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall

be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN