

OFFICIAL STATEMENT DATED JULY 31, 2019

In the opinion of the Muller Law Group PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P "AA" (stable outlook)
 Underlying Rating: Moody's "A1"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$2,830,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2019

Dated: August 1, 2019

Due: September 1, as shown below

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from August 1, 2019 and will be payable on September 1 and March 1 of each year commencing March 1, 2020 (seven months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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



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. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2020	\$ 20,000	3.000%	1.500%	34681Y GN4	2028	\$ 200,000 (c)	2.000%	2.220%	34681Y GW4
2021	190,000	3.000	1.530	34681Y GP9	2029	205,000 (c)	2.000	2.290	34681Y GX2
2022	200,000	3.000	1.500	34681Y GQ7	2030	200,000 (c)	2.250	2.590	34681Y GY0
2023	200,000	3.000	1.580	34681Y GR5	2031	195,000 (c)	2.250	2.660	34681Y GZ7
2024	200,000	3.000	1.650	34681Y GS3	2032	190,000 (c)	2.500	2.730	34681Y HA1
2025	205,000	3.000	1.800	34681Y GT1	2033	185,000 (c)	3.000	2.790	34681Y HB9
2026	205,000 (c)	2.000	2.000	34681Y GU8	2034	235,000 (c)	3.000	2.820	34681Y HC7
2027	200,000 (c)	2.000	2.140	34681Y GV6					

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2019 is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) The Bonds maturing on and after September 1, 2026 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, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 129 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about August 28, 2019.

TABLE OF CONTENTS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS.....	1
USE OF INFORMATION IN OFFICIAL STATEMENT	2
OFFICIAL STATEMENT SUMMARY	3
SELECTED FINANCIAL INFORMATION	7
PLAN OF FINANCING	8
DEBT SERVICE REQUIREMENTS	10
THE BONDS	11
BOOK-ENTRY-ONLY SYSTEM	15
THE DISTRICT	16
MANAGEMENT	18
THE SYSTEM	19
UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED.....	20
FINANCIAL STATEMENT	21
ESTIMATED OVERLAPPING DEBT STATEMENT	22
TAX DATA	23
TAX PROCEDURES.....	25
WATER AND SEWER OPERATIONS.....	29
INVESTMENT CONSIDERATIONS.....	30
LEGAL MATTERS	36
TAX MATTERS.....	37
MUNICIPAL BOND RATING.....	38
SALE AND DISTRIBUTION OF THE BONDS	40
VERIFICATION OF MATHEMATICAL CALCULATIONS	40
PREPARATION OF OFFICIAL STATEMENT.....	40
MISCELLANEOUS.....	43
DISTRICT AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JULY 31, 2018	APPENDIX A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY	APPENDIX B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from The Muller Law Group, PLLC, 202 Century Square Boulevard, Sugar Land, Texas 77478, upon payment of duplication costs.

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

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.”

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The IssuerFort Bend County Municipal Utility District No. 129 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue.....\$2,830,000 Fort Bend County Municipal Utility District No. 129, Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”), dated August 1, 2019, are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in each of the years and in the principal amounts and accruing interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from August 1, 2019 and will be payable September 1 and March 1 of each year commencing March 1, 2020 (seven months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months.

The Bonds maturing on and after September 1, 2026 are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2025, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS.”

Book-Entry-OnlyThe Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY- ONLY SYSTEM.”

Source of Payment.....The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, The City of Missouri City or any entity other than the District. See “THE BONDS—Source and Security for Payment.”

Use of Proceeds.....Proceeds from the sale of the Bonds, together with other lawfully available debt service funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$2,720,000 of the District’s Outstanding Bonds in order to achieve annual and net present value savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$16,345,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) as of the date hereof. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”

Payment RecordThe District has previously issued five series of unlimited tax bonds and two series of unlimited tax refunding bonds, of which an aggregate principal amount of \$19,065,000 is currently outstanding (the “Outstanding Bonds”). The District has never defaulted on the payment and principal and interest on the previously issued bonds. See “FINANCIAL STATEMENT.”

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

Bond CounselThe Muller Law Group, PLLC, Bond Counsel, Sugar Land, Texas.
Underwriter’s Counsel.....McCall, Parkhurst & Horton L.L.P, Houston, Texas.
Financial Advisor.....Masterson Advisors LLC, Houston, Texas.
Paying Agent/RegistrarThe Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
Verification AgentPublic Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

Municipal Bond Insurance and RatingIt is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The Bonds also have been assigned an underlying credit rating of “A1” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”

HURRICANE HARVEY

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

Impact on the DistrictAccording to the District's Operator (as defined herein), the District's System sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the District's Operator and Engineer (as defined herein, none of the homes or other improvements within the District experienced flooding or other material damage as a result of Hurricane Harvey.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. See “INVESTMENT CONSIDERATIONS—Recent Weather Events; Hurricane Harvey.”

THE DISTRICT

Description.....The District was created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated October 24, 2003. The District presently contains approximately 669 acres of land located in the southwest portion of Fort Bend County approximately 21 miles southwest from downtown Houston, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Missouri City.

Riverstone.....The District is part of the approximately 3,859-acre master planned community known as “Riverstone.” The District is one of four municipal utility districts that serve Riverstone. At full development, Riverstone is projected to include single family, multi-family, townhome, institutional (churches, schools, etc.) and commercial development. Recreational amenities within Riverstone include walking trails throughout the community, three recreation centers with facilities including a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, splash pad, activity pool and playgrounds, a dog park, a pavilion, ten tennis courts and a fishing pier for use by Riverstone residents.

Status of Development.....Water, sanitary sewer and drainage facilities have been constructed to serve Crossing Cove at Riverstone, Sections 1 and 2; The Crossing at Riverstone, Sections 2 and 3; Creekstone Village at Riverstone, Sections 1 through 9; Brookside at Riverstone; Meridian Park at Riverstone; Crescent View Estates at Riverstone; Hartford Landing at Riverstone, Sections 1 and 2; Senova at Riverstone, Sections 1 through 3; Nandina at Riverstone, Kensington at Riverstone, Sections 1 and 2, The Enclave at Riverstone, Section 2, and Grove at Riverstone, Section 1 (collectively, approximately 585 acres of land developed into 1,439 single family residential lots and 5 partial lots). Construction of underground utilities and street paving is complete in these sections. As of May 28, 2019, the District contained 1,397 single family homes completed and occupied, 4 single-family homes completed, not occupied, and 14 single-family homes in various stages of construction.

In addition to the development described above, the District contains approximately 13 acres upon which a assisted living facility has been constructed. Approximately 69 acres of land are contained in drainage easements and rights-of-way, and approximately 2 acres are included in parks, recreation and open space areas. See “THE DISTRICT.”

Homebuilders Homebuilders actively building within the District are: Perry Homes, Newmark Homes, and Lespreance Construction. New homes in the District range in offering prices from approximately \$400,000 to over \$1,000,000.

Flood Protection and Drainage Facilities..... Flood protection for approximately 385 acres within the District is provided by Fort Bend County Levee Improvement District No. 15 (“LID 15”). The boundaries of LID 15 encompass approximately 2,398 acres. A levee and other improvements constructed by LID 15 removed approximately 2,299 acres within the LID boundaries, including 385 acres within the District, from the 100-year floodplain designation of the Brazos River.

Prior to completion of the levee, the development within the District encompassing Crossing Cove at Riverstone, Sections 1 and 2; Crossing at Riverstone, Sections 2 and 3; and Brookside at Riverstone included raising the elevation of land with the application of fill dirt to an elevation to remove the developed lots in the sections from the 100 year floodplain designation. These sections are also protected by the LID 15 levee.

The remaining 284 acres of land in the District (including the 205 acres developed as Creekstone Village, Sections 1 through 9 and the Grove at Riverstone Section 1) are within the boundaries of Fort Bend County Levee Improvement District No. 19 (“LID 19”). The boundaries of LID 19 encompass approximately 817 acres. A levee and other improvements constructed by LID 19 removed approximately 785 acres within the LID 19 boundaries, including 284 acres within the District, from the 100 year floodplain designation of the Brazos River. The development of the lots within Creekstone Village, Sections 1 through 4 included raising land (by application of fill dirt) to an elevation high enough to remove such lots from the 100 year floodplain designation. The development of lots in Creekstone Village, Sections 5 through 9 did not include raising the land. All of these sections are protected by the LID 19 levee.

To date, LID 15 has issued eighteen series of bonds, of which \$103,245,000 in principal amount is outstanding. The LID 15 bonds are payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within its boundaries, which includes all of the land within the District. For 2018, LID 15 levied a tax rate of \$0.62 per \$100 assessed valuation. It is anticipated that LID 15 will issue bonds in the foreseeable future to reimburse the developers of land in its boundaries for the costs of LID 15 facilities either constructed or currently being constructed, as well as facilities to be constructed in the future. To date, LID 19 has issued eight series of bonds in the aggregate amount \$52,350,000, of which \$41,935,000 in principal amount is outstanding. The LID 19 bonds are payable from an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within its boundaries, which includes a portion of the land within the District. For 2018, LID 19 levied a tax rate of \$0.68 per \$100 assessed valuation. LID 19 may issue additional bonds for facilities to be constructed in the future.

Additional flood protection improvements, including detention ponds, pump stations and drainage outfall structures will be necessary for development of the remaining acreage in the District and in the undeveloped portions of LID 15 and LID 19 that are not in the District. See “THE SYSTEM—Flood Protection” and “ESTIMATED OVERLAPPING DEBT STATEMENT.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation.....	\$679,972,442	(a)
Gross Direct Debt Outstanding	\$19,175,000	(b)
Estimated Overlapping Debt	<u>68,554,728</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$87,729,728	
Ratio of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	2.82%	
Ratio of Gross Direct and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	12.90%	
2018 Tax Rate:		
Debt Service Tax Rate	\$0.24	
Maintenance Tax Rate.....	<u>0.09</u>	
Total District Tax Rate.....	\$0.33	
Average percentage of total tax collections (2014-2018).....	99.29%	
Average Annual Debt Service Requirement (2019-2034).....	\$1,601,189	(d)
Tax Rate Required to Pay Average Annual Debt Service (2019-2034) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation	\$0.25	
Maximum Annual Debt Service Requirement (2022).....	\$1,629,013	(d)
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation	\$0.26	
Water Connections as of May 28, 2019:		
Single family residential – completed and occupied.....	1,397	
Single family residential – vacant	4	
Single-family residential – under construction.....	14	
Multi-Family (127 Units).....	1	
Commercial.....	2	
Other	<u>102</u>	
Total	1,520	

Estimated 2019 Population – 5,143 (e)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) Includes the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) See “DEBT SERVICE REQUIREMENTS.”
- (e) Based upon 3.5 persons per occupied home and 2.0 per multi-family unit. Multi-family consists of a assisted living facility with 127 units.

OFFICIAL STATEMENT

\$2,830,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129

(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX REFUNDING BONDS,

SERIES 2019

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 129 (the "District") of its \$2,830,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 Texas Government Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

PLAN OF FINANCING

Purpose

At a bond election held within the District on September 11, 2004, the voters of the District authorized the issuance of a total of \$32,905,000 principal amount of unlimited tax refunding bonds. The District currently has \$19,065,000 principal amount of bonds outstanding (the "Outstanding Bonds").

The proceeds of the Bonds and lawfully available debt service funds will be used to currently refund and defease a portion of the District's Unlimited Tax Bonds, Series 2010 totaling \$2,720,000 (the "Refunded Bonds") in order to achieve a net savings in the District's debt service expense. The proceeds will also be used to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds." A total of \$16,345,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds").

Refunded Bonds

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

<u>Maturity Date</u> <u>(September 1)</u>	<u>Series</u> <u>2010</u>
2021	\$ 170,000
2022	180,000
2023	180,000
2024	180,000
2025	190,000
2026	190,000
2027	190,000
2028	190,000
2029	200,000
2030	200,000
2031	200,000
2032	200,000
2033	200,000 (a)
2034	250,000 (a)
	<u>\$ 2,720,000</u>

Redemption Date: September 5, 2019

(a) Represents term bonds in the total principal amount of \$450,000, scheduled to mature on September 1, 2034.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds	\$2,830,000.00
Plus: Net Premium on the Bonds.....	26,581.35
Plus: Transfer from Debt Service Fund	56,000.00
Total Sources of Funds.....	\$2,912,581.35
Uses of Funds:	
Deposit to Paying Agent for Refunded Bonds.....	\$2,776,595.34
Issuance Expenses and Underwriters' Discount (a).....	135,986.01
Total Uses of Funds	\$2,912,581.35

(a) Includes municipal bond insurance premium.

Payment of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds").

The Bond Resolution provides that from the proceeds of the sale of the Bonds and certain available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds on the Redemption Date. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$2,720,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2019	\$ 1,650,345	\$ 55,365				\$ 1,594,980
2020	1,639,945	110,730	\$ 20,000	\$ 78,961	\$ 98,961	1,628,176
2021	1,639,305	280,730	190,000	72,288	262,288	1,620,863
2022	1,647,205	284,780	200,000	66,588	266,588	1,629,013
2023	1,640,675	278,300	200,000	60,588	260,588	1,622,963
2024	1,643,305	271,730	200,000	54,588	254,588	1,626,163
2025	1,646,720	275,070	205,000	48,588	253,588	1,625,238
2026	1,643,050	267,850	205,000	42,438	247,438	1,622,638
2027	1,641,840	260,440	200,000	38,338	238,338	1,619,738
2028	1,643,640	252,840	200,000	34,338	234,338	1,625,138
2029	1,643,250	255,050	205,000	30,338	235,338	1,623,538
2030	1,635,650	246,650	200,000	26,238	226,238	1,615,238
2031	1,631,050	238,050	195,000	21,738	216,738	1,609,738
2032	1,619,250	229,250	190,000	17,350	207,350	1,597,350
2033	1,610,450	220,250	185,000	12,600	197,600	1,587,800
2034	1,389,650	261,250	235,000	7,050	242,050	1,370,450
Total	\$ 25,965,330	\$ 3,788,335	\$ 2,830,000	\$ 612,024	\$ 3,442,024	\$ 25,619,019

Maximum Annual Debt Service Requirement (2022).....\$1,629,013
Average Annual Debt Service Requirements (2019-2034)\$1,601,189

THE BONDS

General

The Bonds are dated August 1, 2019, and mature on September 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest will accrue from August 1, 2019, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on September 1 and March 1 of each year, commencing March 1, 2020 (seven months of interest) until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “the Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM”.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Authority for Issuance

At a bond election held within the District on September 11, 2004, the voters of the District authorized the issuance of a total of \$32,905,000 principal amount of unlimited tax refunding bonds. The Bonds are the third issuance from such authorization. After the issuance of the Bonds, \$32,333,419 authorized and unissued refunding bonds will remain from such authorization. See “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and Chapter 1207 Texas Government Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass on the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement. See “LEGAL MATTERS—Legal Opinions.”

Source and Security for Payment

The Bonds (together with the Remaining Outstanding Bonds and such additional tax bonds as may hereafter be issued by the District) are payable from and secured by a pledge of 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. See “TAX PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

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

Funds

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

No Arbitrage

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026 prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on September 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least \$25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT—General." After issuance of the Bonds, the District will have \$32,333,419 principal amount of unlimited tax bonds authorized but unissued for refunding purposes and \$41,160,000 principal amount of unlimited tax bonds authorized but unissued for construction and acquisition of water, sanitary sewer and drainage facilities. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "THE SYSTEM—Future Debt."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the fire plan and issuance of bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The District has approved a fire plan that consists of a contract with the City to provide service to the District. This contract requires the District to pay a monthly fee for such service. The District does not plan to issue bonds for this purpose.

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) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. 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. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" nor calling such an election at this time.

Annexation by the City of Missouri City

The District lies within the extraterritorial jurisdiction of the City and may be annexed by the City under certain circumstances. Under general law, with certain exceptions, annexation of land by the City is subject to three procedures that allow for annexation: (i) on request of a landowner; (ii) for areas with a population of less than 200, by petition of voters and, if voter petitioners do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area; or (iii) for areas with a population of 200 or more, by election of voters and, if voters do not own more than 50% of the land in the area, by petition of a majority of the property owners in the area. However, the foregoing provisions do not apply to areas that are subject to a Strategic Partnership Agreement under Section 43.0751, Texas Local Government Code.

The District and the City have previously entered into a Strategic Partnership Agreement, effective September 10, 2002 ("SPA"), pursuant to which the City has agreed not to annex the property in the District until (i) at least 90% of the developable acreage within the District has been developed with water, wastewater treatment, and drainage facilities and (ii) the developers in the District have been reimbursed to the maximum extent permitted by the rules of the Commission or the City assumes any obligation for such reimbursement.

If area within the District is annexed, under the terms of the SPA, the City must assume the District's assets and obligations (including any outstanding bonds) and dissolve the District within 120 days of annexation. Annexation of property by the City is a policy-making matter within the discretion of the governing body of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, and its liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. No representation is made concerning the likelihood of consolidation.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investment quality as currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds, of each series will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to each series of the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 3.6 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 purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All 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 the 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

THE DISTRICT

General

Fort Bend County Municipal Utility District No. 129 (the "District") is a municipal utility district created by order of the Commission, dated October 24, 2003, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Missouri City, Texas ("Missouri City" or the "City").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to contract for or employ its own peace officers and, after approval by the City, the Commission and the voters of the District, to establish parks and recreational facilities for the residents of the District, and to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. Additionally, the District may, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District contains approximately 669 acres of land. The District is located approximately 21 miles southwest of downtown Houston. The District is located approximately 3 miles south of U.S. Highway 59 (the "Southwest Freeway") and is accessible via the Southwest Freeway to Texas State Highway 6, and then south to the Riverstone entrances.

Status of Development

The District is part of the approximately 3,859-acre master planned community known as “Riverstone.” The District is one of several municipal utility districts planned for development in Riverstone. At full development, Riverstone is projected to include single family, multi family, townhome and commercial development. Development of Riverstone began in 2001 in the adjacent Fort Bend County Municipal Utility District No. 115 (“MUD 115”) and Fort Bend County Municipal Utility District No. 149 (“MUD 149”) and subsequently in Fort Bend County Municipal Utility District No. 128 (“MUD 128”) in 2007. Development activities in the District began in 2004, and construction of underground facilities and street paving is complete in Crossing Cove at Riverstone, Sections 1 and 2; The Crossing at Riverstone, Sections 2 and 3; Creekstone Village at Riverstone, Sections 1 through 9; Brookside at Riverstone; Meridian Park at Riverstone; Crescent View Estates at Riverstone; Hartford Landing at Riverstone, Sections 1 and 2; Senova at Riverstone, Sections 1 through 3; Nandina at Riverstone, Kensington at Riverstone, Sections 1 and 2, The Enclave at Riverstone, Section 2, and Grove at Riverstone, Section 1 (collectively, approximately 585 acres of land developed into 1,439 single-family residential lots and 5 partial lots).

The active homebuilders currently in the District are Perry Homes, Newmark Homes and Lespreance Construction. New homes in the District range in offering prices from approximately \$400,000 to over \$1,000,000. Home construction in the District began in January, 2005, and as of May 28, 2019, the District contained 1,415 single-family homes completed or under construction as shown below:

Status of home construction as of May 28, 2019:

Single-family residential – completed and occupied	1,397
Single-family residential – completed and unoccupied	4
Single-family residential – under construction	14
Total	1,415

In addition to the residential development in Riverstone, the District also includes an information center and recreational amenities which include walking trails throughout the community and three recreation centers consisting of a 9,000 square foot clubhouse with fitness and ballroom facilities, a pool, playgrounds and a pavilion, as well as a dog park, ten tennis courts, a splash pad and activity pool and a fishing pier for use by Riverstone residents. The District also includes approximately 13 acres upon which a assisted living facility has been constructed, approximately 69 acres in drainage easements and rights-of-way, and 2 acres of park, recreation and open-space areas. See “INVESTMENT CONSIDERATIONS.”

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within two miles of the District along areas adjacent to State Highway 6 and US Highway 59. Fire protection for the District is provided by the City of Missouri City’s Fire Department. Medical care for District residents is available from two hospitals which are within 10 miles of the District. The land within the District is located within the boundaries of Fort Bend Independent School District, and children within the District attend elementary, junior high and high schools of Fort Bend Independent School District located within three miles of the development in the District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the directors listed below either reside or own land within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors' elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Gray	President	May 2022
Robert Lin	Vice President	May 2020
Linda Garcia	Secretary	May 2020
Hope Guidry-Groves	Assistant Secretary	May 2020
John Dimicelli	Assistant Vice President	May 2022

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Tax Tech, Inc. is currently serving in this capacity for the District.

System Operator

The District contracts with Si Environmental, LLC (the "Operator") for maintenance and operation of the District's water, sanitary sewer, and drainage system.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, LP to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Costello, Inc. (the "Engineer").

Auditor

The District's audited financial statements for the year ended July 31, 2018 were prepared by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's July 31, 2018 financial statement. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its fiscal year ended July 31, 2019 financial statements.

Attorney

The District has engaged The Muller Law Group, PLLC, as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are earned upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then-current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City of Missouri City (the "City"), Fort Bend County and, in some instances, the Commission. Fort Bend County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: Pursuant to a Regional Water Supply Agreement, as amended, (the "RWSA") amount the District, Fort Bend County Municipal Utility District No. 115 ("MUD 115"), Fort Bend County Municipal Utility District No. 149 ("MUD 149") and Fort Bend County Municipal Utility District No. 46 ("MUD 46") the District obtains its water supply from two interconnected water plants. Water Plant No. 1 consists of one 1,700 gallons per minute ("gpm") well, 1,000,000 gallons of ground storage tank capacity, booster pumps totaling 5,350 gpm capacity, 65,000 gallons of pressure tank capacity, and appurtenant equipment. According to the District's Engineer, Water Plant No. 1 has capacity to serve approximately 2,210 equivalent single-family connections. Water Plant No. 2 consists of one 2,100 gallons per minute ("gpm") well, 1,000,000 gallons of ground storage tank capacity, booster pumps totaling 6,000 gpm capacity, 55,000 gallons of pressure tank capacity, and appurtenant equipment. According to the District's Engineer, Water Plant No. 2 has capacity to serve approximately 1,870 equivalent single-family connections. Pursuant to the RWSA, the District has purchased capacity to serve up to 1,533 equivalent single-family connections. The District currently serves approximately 1,401 single-family homes constructed or under construction.

Pursuant to the District's Groundwater Reduction Plan with the City, the City provides to the District surface water which is intended to be the District's primary source of potable water. The City currently owns and operates a 10 million gallon per day surface water plant, which is located south of the District and within the Sienna Plantation master planned community. The District will maintain its ground water supply from the RWSA as a secondary supplemental source of potable water. The City began delivering surface water to the District in July 2016.

Subsidence and Conversion to Surface Water Supply: The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. MUD 115's, as operator of the water supply system under the RWSA, authority to pump groundwater is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District.

The Subsidence District's regulations require the District, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan ("GRP") and to have obtained certification of the GRP from the Subsidence District by 2008; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2014; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning January 2025. The District has joined the City of Missouri City's GRP.

If the City of Missouri City, together with the participants in its GRP, fails to comply with the above Subsidence District regulations, such entities will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 70% of the total annual water demand beginning in January 2014 (60% in 2025).

The GRP fee currently being charged by the City of Missouri City is \$1.72 per 1,000 gallons pumped, and this fee is passed through to the District’s customers as part of the District’s standard monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges, which may be due to the City of Missouri City in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City of Missouri City: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, or (ii) will comply with the Subsidence District’s surface water conversion requirements.

Source of Wastewater Treatment: The District has contracted with the City to provide wastewater treatment services to the District in the City’s Regional Wastewater Treatment Plant (the “Plant”) located on Oilfield Road. The Plant is designed to have an ultimate capacity of 5.5 million gallons per day (“GPD”). The District has purchased sufficient capacity to serve 470,750 GPD or 1,810 equivalent single-family connections, which amount is, in the opinion of the District’s Engineer, sufficient capacity for ultimate build out in the District. The Plant currently has a capacity of 3.0 million GPD.

Flood Protection: Flood protection for approximately 385 acres within the District and the majority of Riverstone is provided by LID 15. The boundaries of LID 15 encompass approximately 2,398 acres. A levee and other improvements constructed by LID 15 removed approximately 2,398 acres within LID 15’s boundaries, including all developable 385 acres within the District, from the 100-year floodplain designation of the Brazos River.

Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency (“FEMA”), all of the developable land within the District that is located inside the boundaries of LID 15 has been removed from the 100-year floodplain of the Brazos River.

The remaining 284 acres of land in the District (including the 214 acres developed as Creekstone Village, Sections 1 through 9 and the Grove at Riverstone Section 1) are within the boundaries of LID 19. The boundary of LID 19 encompasses approximately 817 acres. A levee and other improvements constructed by LID 19 removed approximately 785 acres within the LID boundaries, including all 284 acres within the District, from the 100 year floodplain of the Brazos River. The development of the lots within Creekstone Sections 1 through 4 included raising land (by application of fill dirt) to an elevation high enough to remove such lots from the 100 year floodplain designation. The lots in Creekstone, Sections 5 through 9 were not raised above the 100 year floodplain. These sections are also protected by the LID 19 levee.

Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of FEMA, all of the developable land within the District that is located within the boundaries of LID 19 has been removed from the 100-year floodplain of the Brazos River.

Additional flood protection improvements, including detention ponds, pumping stations, and drainage outfall structures will be necessary for development of the remaining acreage in the District and in the undeveloped portions of LID 15 and LID 19 which are not in the District. See “INVESTMENT CONSIDERATIONS.”

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
09/11/2004	Water, Sanitary Sewer and Drainage	\$65,810,000	\$24,650,000	\$41,160,000
09/11/2004	Refunding Bonds	\$32,905,000	\$571,581*	\$32,333,419

* Includes the Bonds and net premium on the Bonds.

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation..... \$679,972,442 (a)

The Outstanding Bonds\$19,065,000
 Less: Refunded Bonds..... 2,720,000
 Plus: The Bonds 2,830,000
 Gross Debt Outstanding\$19,175,000

Ratio of Gross Direct Debt to:
 2019 Certified Taxable Assessed Valuation.....2.82%

Area of District—669 acres

Estimated 2019 Population – 5,143 (b)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
 (b) Based upon 3.5 persons per occupied home and 2 persons per multi-family unit. Multi-family represented by assisted living facility with 127 units.

Cash and Investment Balances (unaudited as of July 29, 2019)

Operating Fund	Cash and Temporary Investments	\$4,177,930
Debt Service Fund	Cash and Temporary Investments	\$2,651,202 (a)

- (a) The District will apply \$56,000 towards to the refunding of the Refunded Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2009	\$ 8,700,000	\$ 260,000	\$ -	\$ 260,000
2010	4,000,000	3,040,000	2,720,000	320,000
2014	2,075,000	1,600,000	-	1,600,000
2015 (a)	7,765,000	7,270,000	-	7,270,000
2016 (a)	6,970,000	6,895,000	-	6,895,000
Total	\$ 29,510,000	\$ 19,065,000	\$ 2,720,000	\$ 16,345,000
The Bonds				2,830,000
The Bonds and Remaining Outstanding Bonds				\$ 19,175,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 560,744,527	5/31/2019	1.02%	\$ 5,719,594
Fort Bend Independent School District.....	1,065,083,767	5/31/2019	1.71%	18,212,932
Fort Bend County LID 19.....	41,935,000	5/31/2019	34.64%	14,526,284
Fort Bend County LID 15.....	103,245,000	5/31/2019	29.15%	30,095,918
Total Estimated Overlapping Debt.....				\$ 68,554,728
The District.....	19,175,000 (a)	Current	100.00%	19,175,000
Total Direct and Estimated Overlapping Debt.....				\$ 87,729,728
Ratio of Estimated Direct and Overlapping Debt to the 2019 Certified Taxable Assessed Valuation.....				12.85%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes for 2018

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.46400
Fort Bend Independent School District.....	1.32000
Fort Bend County LID 15/Fort Bend LID 19(a).....	<u>0.68000</u>
Total Overlapping Tax Rate.....	\$ 2.46400
The District.....	<u>0.33000</u>
Total Tax Rate.....	\$ 2.79400

(a) Represents higher of the two overlapping tax rates. For tax year 2018, LID 19 levied \$0.68 per \$100 of assessed valuation and LID 15 levied \$0.62 per \$100 of assessed valuation

TAX DATA

Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of June 30, 2019 (a)	
				Amount	Percent
2014	\$ 493,695,223	\$ 0.57	\$ 2,814,063	\$ 2,810,608	99.88%
2015	593,216,556	0.42	2,491,510	2,488,882	99.89%
2016	652,795,482	0.34	2,219,505	2,217,331	99.90%
2017	665,150,377	0.34	2,261,528	2,259,454	99.91%
2018	679,972,442	0.33	2,243,909	2,162,471	96.37%

(a) Unaudited.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	\$ 0.240	\$ 0.250	\$ 0.260	\$ 0.300	\$ 0.370
Maintenance and Operations	0.090	0.090	0.080	0.120	0.200
Total	\$ 0.330	\$ 0.340	\$ 0.340	\$ 0.420	\$ 0.570

Tax Rate Limitations

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

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2018 in the amount of \$0.24 per \$100 of taxable assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on September 11, 2004, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation for levee and drainage facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2018 tax year, the Board levied a maintenance tax in the amount of \$0.09 per \$100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2019, the District has granted a \$10,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled.

Additional Penalties

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

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property’s certified assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$679,972,442, which represents certified ownership as of January 1, 2019. Differences in totals may vary slightly from other information herein due to differences in dates of data.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Senior Care Living VI LLC	Land & Improvements	\$ 20,549,528	3.02%
Newmark Homes Houston LLC	Land & Improvements	2,903,850	0.43%
Individual	Land & Improvements	2,672,100	0.39%
Individual	Land & Improvements	2,658,920	0.39%
Individual	Land & Improvements	2,487,590	0.37%
Individual	Land & Improvements	2,559,680	0.38%
Individual	Land & Improvements	2,467,360	0.36%
Lespreance Construction LLC	Land & Improvements	2,281,170	0.34%
Individual	Land & Improvements	2,237,260	0.33%
Individual	Land & Improvements	2,280,730	0.34%
Total		\$ 43,098,188	6.34%

Summary of Assessed Valuation

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAX PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of certified property comprising the 2017 through 2019 Certified Taxable Assessed Valuations. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	<u>2019 Certified Taxable Assessed Valuation</u>	<u>2018 Certified Taxable Assessed Valuation</u>	<u>2017 Certified Taxable Assessed Valuation</u>
Land	\$ 137,013,205	\$ 133,363,491	\$ 131,851,650
Improvements	549,107,535	550,935,758	536,393,104
Personal Property	1,972,700	2,054,000	1,895,970
Exemptions	(8,164,019)	(6,380,807)	(4,990,347)
Total	<u>\$ 679,929,421</u>	<u>\$ 679,972,442</u>	<u>\$ 665,150,377</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$679,972,442. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments.”

Average Annual Debt Service Requirement (2019-2034).....	\$1,601,189
\$0.25 Tax Rate on the 2019 Certified Taxable Assessed Valuation of \$679,972,442 at 95% collections produces.....	\$1,614,832
Maximum Annual Debt Service Requirement (2022).....	\$1,629,013
\$0.26 Tax Rate on the 2019 Certified Taxable Assessed Valuation of \$679,972,442 at 95% collections produces.....	\$1,679,426

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 an amount sufficient to pay the principal of and interest on the Remaining Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA.”

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See “TAX DATA.”

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

Tax Abatement

Fort Bend County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the City and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

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

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

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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 Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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, except as otherwise indicated, and the provisions described herein are effective beginning with the 2020 tax year. 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 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 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.

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. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2018." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Surplus revenues, if any, of the District's general fund are not pledged to the payment of the Remaining Outstanding Bonds and the Bonds but are available for any lawful purpose including payment of debt service on the Remaining Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. Land within the District is provided water and sewer service by the entities described in "THE SYSTEM." Consequently, the District's general fund is used primarily for administration.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the audited financial statements for the fiscal years ended July 31, 2015 through July 31, 2018 and an unaudited summary from the District's bookkeeper for the period ended May 31, 2019. Reference is made to such records and statements for further and more complete information.

	8/1/2018 to 5/31/2019 (a)	Fiscal Year Ended July 31			
		2018	2017	2016	2015
Revenues					
Water Service	\$ 247,216	\$ 348,456	\$ 324,579	\$ 304,376	\$ 288,613
Sewer Service	699,530	843,776	845,213	820,435	779,936
Property Taxes	587,651	593,622	523,956	715,285	984,694
Penalty and Interest	23,195	18,905	15,927	14,995	16,745
Tap Connection and Inspection Fees	35,554	40,030	105,828	33,570	86,963
Surface Water Conversion	346,160	439,441	415,975	423,554	354,254
Fire Contract Revenue	128,846	147,331	142,762	138,079	135,374
Miscellaneous	35,670	23,093	11,210	4,780	9,405
Investment Revenues	38,503	40,805	16,251	6,641	3,194
Total Revenues	\$ 2,142,325	\$ 2,495,459	\$ 2,401,701	\$ 2,461,715	\$ 2,659,178
Expenditures					
Purchased Services	\$ 481,613	\$ 787,684	\$ 731,774	\$ 168,010	\$ 550,116
Professional Fees	79,734	117,036	106,152	112,773	91,249
Contracted Services	529,141	616,199	592,284	598,757	583,451
Repairs and Maintenance	96,066	86,683	92,211	83,994	94,429
Utilities	-	-	-	657	14,697
Surface Water Conversion	-	-	-	602,544	122,253
Administrative Expenses	-	-	-	54,134	58,192
Capital Outlay (b)	2,050	408,161	347,696	57,704	1,432,317
Other	903,851	254,930	97,714	13,265	22,700
Total Expenditures	\$ 2,092,455	\$ 2,270,693	\$ 1,967,831	\$ 1,691,838	\$ 2,969,404
Revenues Over (Under) Expenditures	\$ 49,870	\$ 224,766	\$ 433,870	\$ 769,877	\$ (310,226)
Other Sources (Interfund Transfer)	\$ 1,765	\$ 1,924	\$ -	\$ -	\$ 150,000
Fund Balance (Beginning of Year)	\$ 4,417,587	\$ 4,190,897	\$ 3,757,027	\$ 2,987,150	\$ 3,147,376
Fund Balance (End of Year)	\$ 4,469,222	\$ 4,417,587	\$ 4,190,897	\$ 3,757,027	\$ 2,987,150

(a) Unaudited. Provided by the District's Bookkeeper.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, the City of Missouri City, or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Recent Extreme Weather: Hurricane Harvey

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

According to the District’s Operator, the District’s System sustained no material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the District’s Operator and Engineer, none of the homes or other improvements within the District experienced flooding or other material damage. Such damage was likely caused by rainfall accumulation in excess of design criteria required for the District’s storm water conveyance system. See “THE SYSTEM—Flood Protection.”

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

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

Specific Flood Type Risks

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

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

Flood Protection. All of the land within the boundaries of the District is protected from the Brazos River flood plain by levees constructed and maintained by LID 15 and LID 19. Based upon the current Flood Insurance Rate Map panel dated April 2, 2014, Flood Insurance Rate Maps of Federal Emergency Management Agency (“FEMA”), all of the developable land within the District has been removed from the 100-year floodplain of the Brazos River.

Flooding Due to Levee Breach or Overtopping. According to LID 15 and LID 19’s engineer, at the time of construction LID 15 and LID 19’s levee and drainage system were reviewed and approved by all entities with regulatory jurisdiction over the system. However, the levee system does not protect against all flooding scenarios. There are at least four instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (or breach) of the levee system, (3) rainfall in excess of what the drainage system is designed for, or (4) failure of stormwater pumping facilities during coincident river events.

LID 15 and LID 19's levee system is part of a regional perimeter levee system that protects approximately 12,142 acres of property in Fort Bend County. The District, together with 6 other levee improvement districts and municipal utility districts, has entered into an agreement relating to the operation and maintenance of the perimeter levee system to ensure that all participants have constructed and maintain their individual levee systems to meet applicable federal, state and local criteria for flood protection. An overtopping or failure (or breach) of any participant's levee system could result in regionalized flooding for all or part of the area protected by the perimeter levee system.

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

In addition to the risk of overtopping, a portion of the District would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at flood state of less than the 100-year event. To mitigate the risk, LID 15's performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need to repair.

There are three pump stations currently or proposed to serve three separate watersheds within LID 15. The pump station serving the Steep Bank Creek watershed is jointly owned and operated by LID 19 and LID 15. According to an independent engineer engaged by LID 19 to perform a study following Hurricane Harvey, the firm pumping capacity at this pump station may be insufficient to provide stormwater drainage from a portion of LID 15 during a coincident river event. To address such shortfall LID 15 and LID 19 have, on an interim basis, acquired portable trailer mounted pumps and, on a long-term basis, determined to design and construct additional pumping capacity at this pump station.

The design of the levee and pump station systems are subject to regulations set forth by the Fort Bend County Drainage District ("FBCDD"). The current FBCDD regulations are based on previously published rainfall data by the National Weather Service in 1961 (TP-40). Since the publication of TP-40, the National Oceanic and Atmospheric Administration in September 2018 published new rainfall data for Texas in its Atlas 14, Volume 11, report (Atlas 14). Under Atlas 14, increased rainfall frequency values may require additional drainage improvements to meet FBCDD infrastructure design requirements and floodplain regulations. At this time, FBCDD has not formally adopted Atlas 14 in its regulatory requirements, but it is anticipated that such adoption may be forthcoming. If adopted, LID 15 and LID 19 may evaluate its current drainage systems and chose to expand or improve its facilities to be more resilient under the new rainfall data; however, there are no current requirements that existing infrastructure be modified or improved. LID 15 and LID 19 have no cost estimates for such improvements.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots, multifamily developments, and commercial developments. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential lots of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability below, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Impact on District Tax Rates

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 ad valorem taxes. The 2019 Certified Taxable Assessed Valuation of the District is \$679,972,442. See "FINANCIAL STATEMENT." After issuance of the Bonds, the maximum annual debt service requirement will be \$1,629,013 (2022) and the average annual debt service requirement will be \$1,601,189 (2019-2034). Assuming no increase or decrease from the 2019 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.26 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,629,013 and a tax rate of \$0.25 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,601,189. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Remaining Outstanding Bonds based upon the 2019 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Overlapping Taxes

Approximately 385 acres of the land within the District is also located within and is provided flood protection by LID 15, and approximately 284 acres of the land within the District is also located within and provided flood protection by LID 19. The debt service on bonds to be issued by LID 15 and LID 19 is paid from ad valorem taxes levied by LID 15 and LID 19, respectively, which taxes are in addition to the taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with property located in other real estate developments, the tax rates of the District, LID 15 or LID 19 and other taxing jurisdictions must be combined. LID 15 levied a 2018 tax rate of \$0.62 per \$100 and LID 19 levied a 2018 tax rate of \$0.68 per \$100 assessed valuation. Such combined rates are higher than tax rates presently being levied in utility districts in the general vicinity of the District. The District can make no representation that taxable property values in the District and LID 15 or LID 19 will maintain value sufficient to support the continued payment of taxes by property owners. It is anticipated that LID 15 and LID 19 will issue bonds over the foreseeable future to reimburse the developers of land in their boundaries for the costs of LID 15 and/or LID 19 facilities currently being constructed as well as facilities to be constructed in the future. See “FINANCIAL STATEMENT” and “TAX DATA—Tax Adequacy for Debt Service.”

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$41,160,000 principal amount of unlimited tax bonds for construction and acquisition of water, sanitary sewer and drainage facilities, and \$32,333,419 principal amount of unlimited tax bonds for refunding purposes which have been authorized at elections held within the District and such additional unlimited tax bonds as may be voted hereafter. See “THE BONDS—Issuance of Additional Debt” and “THE SYSTEM.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities and park facilities must be approved by the Commission.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District’s Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy Limitations

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

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

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

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

The District may not be placed into bankruptcy involuntarily.

Environmental and Air Quality 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 Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston Galveston area ("HGB area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 ("the 1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas.

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 USACE 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 CWR in its entirety and to reinstate regulations in place before the adoption of the CWR while the agencies developed a revised definition. Meanwhile, in January 2018, the EPA and 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 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 issued a preliminary injunction on CWR implementation in Texas, Louisiana, and Mississippi pending resolution of an ongoing case challenging the CWR. On May 28, 2019, the U.S. District Court for the Southern District of Texas concluded that the promulgation of the CWR violated the Administrative Procedures Act and remanded it for agency reconsideration. Pending proceedings on remand, the Court also ordered the preliminary injunction issued in September 2018 to remain in place. Accordingly, under such ruling, the CWR is not currently in effect for the states of Texas, Louisiana, and Mississippi.

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 definition 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 have taken comments on the proposed rules, which were published in the Federal Register 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 substantial uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, would potentially be subject to additional restrictions and requirements, including permitting requirements.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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.”

Marketability

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

LEGAL MATTERS

Legal Proceedings

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of The Muller Law Group PLLC, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax-Exempt Obligations

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

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

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "A1" to the Bonds without regard to credit enhancement. An explanation of the rating may be obtained from Moody's.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

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 the 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/creditinsights/. (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.

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$2,827,634.12 (representing the par amount of the Bonds of \$2,830,000.00, plus a net premium on the Bonds of \$26,581.35, less an Underwriter’s discount of \$28,947.23) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

VERIFICATION OF MATHEMATICAL CALCULATIONS

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” –Costello, Inc. (“Engineer”), and Records of the District (“Records”); “THE SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT” - Fort Bend Central Appraisal District, Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - Tax Tech, Inc.; “MANAGEMENT” - District Directors; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” – The Muller Law Group, PLLC

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the flood protection and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Costello, Inc., Consulting Engineers and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc., and is included herein in reliance upon his authority as an expert in assessing and collecting taxes.

Auditor: The District's audited financial statements for the year ended July 31, 2018 and the independent auditor's report of McCall Gibson Swedlund Barfoot PLLC, have been included herein as “APPENDIX A.”

Bookkeeper: The information related to the “unaudited” summary of the District’s Waterworks and Sewer System Operating Statement as it appears in “WATER AND SEWER OPERATIONS” has been provided by Municipal Accounts & Consulting, LP and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating of Official Statement

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

Certification of Official Statement

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "FINANCIAL STATEMENT (UNAUDITED)," "TAX DATA," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS," and "APPENDIX A" (Annual Financial Report and supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. Any financial statements so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements, and audited financial statements when and if such audited financial statements become available.

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (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 any obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or any obligated person, any of which affect security holders, 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 any obligated person, 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 Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance With Prior Undertakings

Except as provided below, the District has no known failures to comply in all material respects with its previous continuing disclosure agreements. The District has made certain filings to describe its compliance with its continuing disclosure undertakings with respect to debt obligations issued by the District. These filings may be publicly available on EMMA. In addition to other filings related to the District’s continuing disclosure undertakings, please reference the filings made by the District on February 27, 2015. These filings are available by accessing the following link to the District’s page on EMMA (<http://emma.msrb.org/IssuerHomePage/Issuer?id=C7E37BD9CC4FE938EFE4A28950806965&type=G>) and locating each of these dated filings under the “Event-Based Disclosures” tab. The contents of each of the aforementioned filings are incorporated by reference herein.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 129, as of the date shown on the cover page.

/s/ Brian Gray
President, Board of Directors

ATTEST:

/s/ Linda Garcia
Secretary, Board of Directors

APPENDIX A

District Audited Financial Statements for the fiscal year ended July 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	29
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	31-33
GENERAL FUND EXPENDITURES	34-35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39-45
CHANGE IN LONG-TERM BOND DEBT	46-47
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	48-51
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	52-53

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 129
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 129 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Fort Bend County Municipal
Utility District No. 129

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 26, 2018

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 129's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$6,272,240 as of July 31, 2018.

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 7,458,740	\$ 7,360,611	\$ 98,129
Capital Assets (Net of Accumulated Depreciation)	<u>19,802,950</u>	<u>19,134,021</u>	<u>668,929</u>
Total Assets	<u>\$ 27,261,690</u>	<u>\$ 26,494,632</u>	<u>\$ 767,058</u>
Deferred Outflows of Resources	<u>\$ 1,311,847</u>	<u>\$ 1,394,917</u>	<u>\$ (83,070)</u>
Long -Term Liabilities	<u>\$ 20,071,025</u>	<u>\$ 21,029,655</u>	<u>\$ 958,630</u>
Other Liabilities	<u>2,230,272</u>	<u>1,519,469</u>	<u>(710,803)</u>
Total Liabilities	<u>\$ 22,301,297</u>	<u>\$ 22,549,124</u>	<u>\$ 247,827</u>
Net Position:			
Net Investment in Capital Assets	\$ (685,298)	\$ (1,363,805)	\$ 678,507
Restricted	2,486,404	2,458,383	28,021
Unrestricted	<u>4,471,134</u>	<u>4,245,847</u>	<u>225,287</u>
Total Net Position	<u>\$ 6,272,240</u>	<u>\$ 5,340,425</u>	<u>\$ 931,815</u>

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 2,251,745	\$ 2,208,188	\$ 43,557
Charges for Services	1,849,865	1,884,068	(34,203)
Other Revenues	<u>97,901</u>	<u>41,074</u>	<u>56,827</u>
Total Revenues	<u>\$ 4,199,511</u>	<u>\$ 4,133,330</u>	<u>\$ 66,181</u>
Expenses for Services	<u>3,267,696</u>	<u>3,339,869</u>	<u>72,173</u>
Change in Net Position	<u>\$ 931,815</u>	<u>\$ 793,461</u>	<u>\$ 138,354</u>
Net Position, Beginning of Year	<u>5,340,425</u>	<u>4,546,964</u>	<u>793,461</u>
Net Position, End of Year	<u>\$ 6,272,240</u>	<u>\$ 5,340,425</u>	<u>\$ 931,815</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balance as of July 31, 2018, was \$7,184,715, an increase of \$231,236 from the prior year.

The General Fund fund balance increased by \$226,690, primarily due to property tax revenues and service revenues exceeding operating expenditures and capital costs.

The Debt Service Fund increased by \$6,458, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$1,912, with a transfer to the General Fund to close the fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year ended July 31, 2018. Actual revenues were \$209,190 higher than budgeted revenues, due to higher than expected revenues in all categories except wastewater service revenues. Actual expenditures were \$907,797 less than budgeted expenditures, primarily due to capital outlay costs being lower than budgeted.

CAPITAL ASSETS

The District's capital assets as of July 31, 2018, amount to \$19,802,950 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 46,778	\$ 46,778	\$
Construction in Progress		391,879	(391,879)
Capital Assets, Net of Accumulated Depreciation:			
Infrastructure	15,473,919	14,312,933	1,160,986
Interest in Joint Facilities	2,106,484	2,128,076	(21,592)
Impact Fees	2,175,769	2,254,355	(78,586)
Total Net Capital Assets	<u>\$ 19,802,950</u>	<u>\$ 19,134,021</u>	<u>\$ 668,929</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

LONG-TERM DEBT ACTIVITY

As of July 31, 2018, the District had a total bond debt payable of \$19,970,000. The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

Bond Debt Payable, August 1, 2017	\$ 20,835,000
Less: Bond Principal Paid	<u>865,000</u>
Bond Debt Payable, July 31, 2018	<u>\$ 19,970,000</u>

The District has an underlying rating of “A1”. The Series 2008 bonds are not rated. The Series 2009, Series 2010, Series 2015 Refunding and Series 2016 Refunding bonds carry an “AA” rating by virtue of bond insurance by Assured Guaranty Municipal. The Series 2014 bonds carry an “AA” rating by virtue of bond insurance issued by Build America Mutual. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect any changes during the current fiscal year.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 129, c/o The Muller Law Group, PLLC, 202 Century Square Blvd., Sugar Land, Texas 77478.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 1,227,818	\$ 41,871
Investments	2,987,150	2,725,269
Receivables:		
Property Taxes	11,585	21,640
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for Uncollectible Accounts of \$-0-)	215,471	
Builder Damages	1,693	
Prepaid Costs	6,210	
Due from Other Governmental Units	40,006	
Advance for Water Plant Operations	123,952	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,613,885	\$ 2,788,780
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,613,885	\$ 2,788,780

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,269,689	\$	\$ 1,269,689
5,712,419		5,712,419
33,225		33,225
	14,113	14,113
215,471		215,471
1,693		1,693
6,210	41,962	48,172
40,006		40,006
123,952		123,952
	46,778	46,778
	<u>19,756,172</u>	<u>19,756,172</u>
<u>\$ 7,402,665</u>	<u>\$ 19,859,025</u>	<u>\$ 27,261,690</u>
<u>\$ -0-</u>	<u>\$ 1,311,847</u>	<u>\$ 1,311,847</u>
<u><u>\$ 7,402,665</u></u>	<u><u>\$ 21,170,872</u></u>	<u><u>\$ 28,573,537</u></u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 178,888	\$
Accrued Interest Payable		
Due to Developers		
Due to Taxpayers		12
Security Deposits	5,825	
Long Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 184,713	\$ 12
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 11,585	\$ 21,640
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 6,210	\$
For Water Plant Operations	123,952	
Restricted for Debt Service		2,767,128
Unassigned	4,287,425	
TOTAL FUND BALANCES	\$ 4,417,587	\$ 2,767,128
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,613,885	\$ 2,788,780
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 178,888	\$	\$ 178,888
	316,477	316,477
	824,070	824,070
12		12
5,825		5,825
	905,000	905,000
	<u>20,071,025</u>	<u>20,071,025</u>
<u>\$ 184,725</u>	<u>\$ 22,116,572</u>	<u>\$ 22,301,297</u>
<u>\$ 33,225</u>	<u>\$ (33,225)</u>	<u>\$ -0-</u>
\$ 6,210	\$ (6,210)	\$
123,952	(123,952)	
2,767,128	(2,767,128)	
4,287,425	(4,287,425)	
<u>\$ 7,184,715</u>	<u>\$ (7,184,715)</u>	<u>\$ -0-</u>
<u>\$ 7,402,665</u>		
	\$ (685,298)	\$ (685,298)
	2,486,404	2,486,404
	<u>4,471,134</u>	<u>4,471,134</u>
	<u>\$ 6,272,240</u>	<u>\$ 6,272,240</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2018

Total Fund Balances - Governmental Funds \$ 7,184,715

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

Bond insurance paid at closing is amortized over the repayment period of the related bonds in the governmental activities. 41,962

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 19,802,950

The difference between the net carrying amount of refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 1,311,847

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenues in the governmental activities of the District. 47,338

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Due to Developer	\$ (824,070)	
Accrued Interest Payable	(316,477)	
Bonds Payable	<u>(20,976,025)</u>	<u>(22,116,572)</u>

Total Net Position - Governmental Activities \$ 6,272,240

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

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 593,622	\$ 1,654,065
Water Service	348,456	
Wastewater Service	843,776	
Surface Water Fees	439,441	
Penalty and Interest	18,905	8,635
Tap Connection and Inspection Fees	40,030	
Fire Protection Services	147,331	
Investment Revenues	40,805	30,658
Miscellaneous Revenues	23,093	3,333
TOTAL REVENUES	\$ 2,495,459	\$ 1,696,691
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 117,036	\$ 1,382
Contracted Services	616,199	42,610
Purchased Water Service	615,166	
Purchased Wastewater Service	172,518	
Repairs and Maintenance	86,683	
Depreciation		
Other	254,930	3,171
Capital Outlay	408,161	
Debt Service:		
Bond Principal		865,000
Bond Interest		778,070
TOTAL EXPENDITURES/EXPENSES	\$ 2,270,693	\$ 1,690,233
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 224,766	\$ 6,458
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	\$ 1,924	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 226,690	\$ 6,458
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - AUGUST 1, 2017	4,190,897	2,760,670
FUND BALANCES/NET POSITION - JULY 31, 2018	\$ 4,417,587	\$ 2,767,128

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 2,247,687	\$ 4,058	\$ 2,251,745
	348,456		348,456
	843,776		843,776
	439,441		439,441
	27,540	3,291	30,831
	40,030		40,030
	147,331		147,331
12	71,475		71,475
	26,426		26,426
\$ 12	\$ 4,192,162	\$ 7,349	\$ 4,199,511
\$	\$ 118,418	\$	\$ 118,418
	658,809		658,809
	615,166		615,166
	172,518		172,518
	86,683		86,683
		563,302	563,302
	258,101		258,101
	408,161	(408,161)	
	865,000	(865,000)	
	778,070	16,629	794,699
\$ - 0 -	\$ 3,960,926	\$ (693,230)	\$ 3,267,696
\$ 12	\$ 231,236	\$ 700,579	\$ 931,815
\$ (1,924)	\$ -0-	\$ -0-	\$ -0-
\$ (1,912)	\$ 231,236	\$ (231,236)	\$
		931,815	931,815
1,912	6,953,479	(1,613,054)	5,340,425
\$ -0-	\$ 7,184,715	\$ (912,475)	\$ 6,272,240

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	231,236
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		4,058
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		3,291
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(563,302)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		408,161
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Postion, interest is accrued on the long-term debt through fiscal year-end.		(16,629)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Position, bond principal payments are reported as decreases in long-term liabilities.		<u>865,000</u>
Change in Net Position - Governmental Activities	\$	<u><u>931,815</u></u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 129 (the “District”) was created effective October 24, 2003 by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its organizational meeting on November 11, 2003, and the first bonds were issued on November 21, 2006.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs. This fund was closed during the current fiscal year.

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

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

Budgeting

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

Pensions

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

Measurement Focus

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	<u>Series 2008</u>	<u>Series 2009</u>	<u>Series 2010</u>
Amounts Outstanding – July 31, 2018	\$160,000	\$500,000	\$3,200,000
Interest Rates	5.50%	5.00% - 6.25%	3.40% - 5.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018	September 1, 2018/2019	September 1, 2018/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2018*	September 1, 2019*
	<u>Series 2014</u>	<u>Refunding Series 2015</u>	<u>Refunding Series 2016</u>
Amounts Outstanding – July 31, 2018	\$1,700,000	\$7,475,000	\$6,935,000
Interest Rates	2.50% - 4.00%	2.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2018/2034	September 1, 2018/2034	September 1, 2018/2034
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022*	September 1, 2023*	September 1, 2023*

* Bonds maturing on or after this date are subject to being called at par value plus accrued interest from the most recent integral payment date to the date fixed for redemption

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

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

	August 1, 2017	Additions	Retirements	July 31, 2018
Bonds Payable	\$ 20,835,000	\$	\$ 865,000	\$ 19,970,000
Unamortized Discounts	(108,030)		(15,184)	(92,846)
Unamortized Premiums	1,167,685		68,814	1,098,871
Bonds Payable, Net	\$ 21,894,655	\$ -0-	\$ 918,630	\$ 20,976,025
		Amount Due Within One Year		\$ 905,000
		Amount Due After One Year		20,071,025
		Bonds Payable, Net		\$ 20,976,025

As of July 31, 2018, the District had authorized but unissued tax bonds in the amount of \$41,160,000 and refunding bonds authorization of \$32,470,000. As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 905,000	\$ 739,945	\$ 1,644,945
2020	930,000	702,645	1,632,645
2021	955,000	672,125	1,627,125
2022	980,000	645,755	1,625,755
2023	1,015,000	616,440	1,631,440
2024-2028	5,600,000	2,509,572	8,109,572
2029-2033	6,755,000	1,281,245	8,036,245
2034-2035	2,830,000	112,375	2,942,375
	\$ 19,970,000	\$ 7,280,102	\$ 27,250,102

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

During the year ended July 31, 2018, the District levied an ad valorem debt service tax rate of \$0.25 per \$100 of assessed valuation, which resulted in a tax levy of \$1,663,889 on the adjusted taxable valuation of \$665,555,585 for the 2017 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond resolutions state the District will maintain insurance on the system of a kind and in amount which usually would be carried by private companies engaged in a similar type of business but considering any governmental immunities to which the District may be entitled.

The bond resolutions state that the District is required to provide continuing disclosure of certain general financial information and operating data, as well as notice of certain material events as defined by federal securities laws, with respect to the District to the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,269,689 and the bank balance was \$1,335,226. Of the bank balance, \$318,354 was covered by federal depository insurance and the balance was pledged collateral held in a third-party depository in the District's name.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

	Cash
GENERAL FUND	\$ 1,227,818
DEBT SERVICE FUND	41,871
TOTAL DEPOSITS	\$ 1,269,689

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The Texas Comptroller of Public Accounts has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the investment rating for TexPool was AAAM. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 2,987,150	\$ 2,987,150	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
TexPool	<u>2,725,269</u>	<u>2,725,269</u>	_____	_____	_____
TOTAL INVESTMENTS	<u>\$ 5,712,419</u>	<u>\$ 5,712,419</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

NOTE 6. CAPITAL ASSETS

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

	August 1, 2017	Increases	Decreases	July 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 46,778	\$	\$	\$ 46,778
Construction in Progress	<u>391,879</u>	<u>1,232,231</u>	<u>1,624,110</u>	_____
Total Capital Assets Not Being Depreciated	<u>\$ 438,657</u>	<u>\$ 1,232,231</u>	<u>\$ 1,624,110</u>	<u>\$ 46,778</u>
Capital Assets Subject to Depreciation				
Infrastructure	\$ 17,843,400	\$ 1,580,710	\$	\$ 19,424,110
Interest in Joint Facilities	2,559,603	43,400	_____	2,603,003
Impact Fees	<u>2,827,838</u>	_____	_____	<u>2,827,838</u>
Total Capital Assets Subject to Depreciation	<u>\$ 23,230,841</u>	<u>\$ 1,624,110</u>	<u>\$ - 0 -</u>	<u>\$ 24,854,951</u>
Less Accumulated Depreciation				
Infrastructure	\$ 3,530,467	\$ 419,724	\$	\$ 3,950,191
Interest in Joint Facilities	431,527	64,992	_____	496,519
Impact Fees	<u>573,483</u>	<u>78,586</u>	_____	<u>652,069</u>
Total Accumulated Depreciation	<u>\$ 4,535,477</u>	<u>\$ 563,302</u>	<u>\$ - 0 -</u>	<u>\$ 5,098,779</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,695,364</u>	<u>\$ 1,060,808</u>	<u>\$ - 0 -</u>	<u>\$ 19,756,172</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,134,021</u>	<u>\$ 2,293,039</u>	<u>\$ 1,624,110</u>	<u>\$ 19,802,950</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 7. MAINTENANCE TAX

On September 11, 2004, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.09 per \$100 of assessed valuation, which resulted in a tax levy of \$599,000 on the taxable valuation of \$665,555,585 for the 2017 tax year.

NOTE 8. REGIONAL WASTEWATER TREATMENT PLANT

On September 20, 2004, and as revised on February 16, 2015, the District entered into an agreement with the City of Missouri City, Texas (the "City") whereby the City agrees to provide a regional wastewater collection, treatment and disposal facilities necessary to serve the District. The District is required to pay capital costs for the District's pro rata share of capacity in the wastewater treatment plant. As of July 31, 2018, the District has paid \$2,866,110 to the City for 470,750 gallons per day of treatment capacity in the regional wastewater treatment plant.

The City charges the District a monthly fee based on its pro-rata share, based on metered usage, of operating and maintenance costs. During the current fiscal year, the District incurred costs of \$172,518 for wastewater services under this agreement.

NOTE 9. REGIONAL WATER SUPPLY AGREEMENT

On October 27, 2014, and as amended September 28, 2015, November 28, 2016 and September 27, 2017, the District entered into a Regional Water Supply Agreement with Fort Bend County Municipal District No. 115 ("District No. 115"), Fort Bend County Municipal Utility District No. 149 ("District No. 149") and Fort Bend County Municipal Utility District No. 46 ("District No. 46"). This agreement supersedes and replaces water supply contracts between the District and District No. 115, between District No. 115 and District No. 46, and between the District and District No. 149. The term of this agreement is forty years.

This agreement established a regional water supply system with the two existing water plants, owned by District No. 115 and District No. 149, Water Plant No. 1 and No. 2, respectively. The agreement establishes a regional water supply system which will be served by these two water plants. The regional water supply system consists of the fully integrated water distribution systems of the District, District No. 149 and District No. 115. While District No. 46's water distribution system is connected to the regional water supply system, the interconnect will remain closed unless requested by District No. 46 and approved by the system operator.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018

NOTE 9. REGIONAL WATER SUPPLY AGREEMENT (Continued)

During the current year, each district's capital pro rata share of the water plants is as follows:

District	Water Plant No.1	Water Plant No. 2
District No. 46	14.43%	
District No. 115	32.04%	
District No. 129	46.43%	27.11%
District No. 149	<u>7.10%</u>	<u>72.89%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

District No. 115 was designated to act as the system operator and has established a Special Revenue Fund to account for all costs associated with the operation and maintenance of the regional water supply system. Each district is invoiced monthly for its pro-rata share of operating and maintenance costs based upon each district's actual metered usage for that month. Each district has also provided funds toward an operating reserve to ensure adequate liquidity for the prompt payment of bills.

During the current year, the District paid a total of \$615,166 in monthly charges. Additionally, the District has paid \$123,952 for its share of the operating reserve.

NOTE 10. RISK MANAGEMENT

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 525,800	\$ 593,622	\$ 67,822
Water Service	314,616	348,456	33,840
Wastewater Service	844,603	843,776	(827)
Surface Water Fees	419,878	439,441	19,563
Penalty and Interest	16,848	18,905	2,057
Tap Connection and Inspection Fees		40,030	40,030
Fire Protection Services	143,184	147,331	4,147
Investment Revenues	13,200	40,805	27,605
Miscellaneous Revenues	8,140	23,093	14,953
TOTAL REVENUES	<u>\$ 2,286,269</u>	<u>\$ 2,495,459</u>	<u>\$ 209,190</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 116,500	\$ 117,036	\$ (536)
Contracted Services	636,677	616,199	20,478
Purchased Water Service	646,700	615,166	31,534
Purchased Wastewater Service	169,235	172,518	(3,283)
Repairs and Maintenance	83,079	86,683	(3,604)
Other	75,141	254,930	(179,789)
Capital Outlay	1,451,158	408,161	1,042,997
TOTAL EXPENDITURES	<u>\$ 3,178,490</u>	<u>\$ 2,270,693</u>	<u>\$ 907,797</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (892,221)</u>	<u>\$ 224,766</u>	<u>\$ 1,116,987</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 1,924</u>	<u>\$ 1,924</u>
NET CHANGE IN FUND BALANCE	<u>\$ (892,221)</u>	<u>\$ 226,690</u>	<u>\$ 1,118,911</u>
FUND BALANCE - AUGUST 1, 2017	<u>4,190,897</u>	<u>4,190,897</u>	<u> </u>
FUND BALANCE - JULY 31, 2018	<u>\$ 3,298,676</u>	<u>\$ 4,417,587</u>	<u>\$ 1,118,911</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129

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

JULY 31, 2018

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order effective on August 25, 2014.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$4.05	10,000	N	\$1.13	1,000 and up
WASTEWATER:	\$32.75	10,000	N	\$2.21	1,000 and up
SURCHARGE:					
Groundwater Reduction Fees	110% of the fee charged by the City		N	\$1.82	1,000 and up
Fire Protection	Actual fee billed to the District by the City		Y	\$8.78	

District employs winter averaging for wastewater usage?

<u> X </u>	<u> </u>
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$15.35 Wastewater: \$54.85 Surcharge: \$26.98

See accompanying independent auditor’s report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>630</u>	<u>626</u>	x 1.0	<u>626</u>
1"	<u>836</u>	<u>832</u>	x 2.5	<u>2,080</u>
1½"	<u>7</u>	<u>7</u>	x 5.0	<u>35</u>
2"	<u>21</u>	<u>21</u>	x 8.0	<u>168</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,496</u></u>	<u><u>1,488</u></u>		<u><u>2,949</u></u>
Total Wastewater Connections	<u><u>1,394</u></u>	<u><u>1,386</u></u>	x 1.0	<u><u>1,386</u></u>

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

Gallons pumped into system:	246,547,400	Water Accountability Ratio: 100%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	246,547,400	

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Missouri City, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018

PROFESSIONAL FEES:	
Auditing	\$ 14,150
Engineering	19,815
Legal	<u>83,071</u>
TOTAL PROFESSIONAL FEES	<u>\$ 117,036</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 615,166
Purchased Wastewater Service	<u>172,518</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 787,684</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 22,500
Operations and Billing	<u>44,212</u>
TOTAL CONTRACTED SERVICES	<u>\$ 66,712</u>
REPAIRS AND MAINTENANCE	<u>\$ 86,683</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,800
Insurance	7,153
Legal Notices	24
Office Supplies and Postage	16,602
Payroll Taxes	1,079
Election Costs	1,630
Travel and Meetings	8,579
Other	<u>8,147</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 54,014</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

CAPITAL OUTLAY:	
Capitalized Assets	\$ 408,161
Expenditures Not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ 408,161</u>
TAP CONNECTIONS	<u>\$ 24,937</u>
SOLID WASTE DISPOSAL	<u>\$ 291,134</u>
SECURITY	<u>\$ 114,984</u>
FIRE FIGHTING	<u>\$ 143,369</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 2,379
Permit Fees	339
Reconnection Fees	3,524
Inspection Fees	7,029
Regulatory Assessment	5,258
Sludge Hauling	156,848
Other	<u>602</u>
TOTAL OTHER EXPENDITURES	<u>\$ 175,979</u>
TOTAL EXPENDITURES	<u><u>\$ 2,270,693</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
INVESTMENTS
JULY 31, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 2,987,150	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 2,725,269	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 5,712,419</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
AUGUST 1, 2017	\$	10,361		\$ 18,806
Adjustments to Beginning				
Balance		<u>(4,154)</u>	\$ 6,207	<u>(6,990)</u> \$ 11,816
Original 2017 Tax Levy	\$	575,039		\$ 1,597,331
Adjustment to 2017 Tax Levy		<u>23,961</u>	<u>599,000</u>	<u>66,558</u> <u>1,663,889</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 605,207		\$ 1,675,705
TAX COLLECTIONS:				
Prior Years	\$	(2,903)		\$ (2,948)
Current Year		<u>596,525</u>	<u>593,622</u>	<u>1,657,013</u> <u>1,654,065</u>
TAXES RECEIVABLE -				
JULY 31, 2018		<u>\$ 11,585</u>		<u>\$ 21,640</u>
TAXES RECEIVABLE BY				
YEAR:				
2017	\$	2,475		\$ 6,876
2016		782		2,542
2015		1,108		2,770
2014		1,752		3,240
2013		2,847		2,936
2012		2,276		2,209
2011		136		299
2010		72		384
2009		<u>137</u>		<u>384</u>
TOTAL	\$	<u>11,585</u>		<u>\$ 21,640</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

	2017	2016	2015	2014
PROPERTY VALUATIONS:				
Land	\$ 131,851,340	\$ 129,309,390	\$ 119,632,380	\$ 111,058,910
Improvements	538,935,144	525,982,890	475,480,460	384,192,060
Personal Property	1,895,970	1,776,800	1,619,270	3,667,087
Exemptions	(7,126,869)	(3,564,148)	(2,774,344)	(4,465,384)
TOTAL PROPERTY VALUATIONS	\$ 665,555,585	\$ 653,504,932	\$ 593,957,766	\$ 494,452,673
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.25	\$ 0.26	\$ 0.30	\$ 0.37
Maintenance	0.09	0.08	0.12	0.20
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.34	\$ 0.34	\$ 0.42	\$ 0.57
ADJUSTED TAX LEVY*	\$ 2,262,889	\$ 2,221,917	\$ 2,494,600	\$ 2,818,380
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.59 %	99.85 %	99.84 %	99.82 %

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on September 11, 2004.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

S E R I E S - 2 0 0 8			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 160,000	\$ 4,400	\$ 164,400
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	\$ 160,000	\$ 4,400	\$ 164,400

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 240,000	\$ 20,500	\$ 260,500
2020	260,000	6,500	266,500
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	\$ 500,000	\$ 27,000	\$ 527,000

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 0				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2019	\$ 160,000	\$ 128,170	\$	288,170
2020	160,000	120,170		280,170
2021	160,000	113,450		273,450
2022	170,000	107,755		277,755
2023	180,000	101,540		281,540
2024	180,000	95,015		275,015
2025	180,000	88,400		268,400
2026	190,000	81,460		271,460
2027	190,000	74,145		264,145
2028	190,000	66,640		256,640
2029	190,000	58,945		248,945
2030	200,000	50,850		250,850
2031	200,000	42,350		242,350
2032	200,000	33,650		233,650
2033	200,000	24,750		224,750
2034	200,000	15,750		215,750
2035	250,000	5,625		255,625
	\$ 3,200,000	\$ 1,208,665	\$	4,408,665

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

S E R I E S - 2 0 1 4			
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 100,000	\$ 57,625	\$ 157,625
2020	100,000	55,125	155,125
2021	100,000	52,625	152,625
2022	100,000	49,875	149,875
2023	100,000	46,875	146,875
2024	100,000	43,875	143,875
2025	100,000	40,813	140,813
2026	100,000	37,625	137,625
2027	100,000	34,000	134,000
2028	100,000	30,000	130,000
2029	100,000	26,000	126,000
2030	100,000	22,000	122,000
2031	100,000	18,000	118,000
2032	100,000	14,000	114,000
2033	100,000	10,000	110,000
2034	100,000	6,000	106,000
2035	100,000	2,000	102,000
	\$ 1,700,000	\$ 546,438	\$ 2,246,438

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	\$ 205,000	\$ 273,300	\$ 478,300
2020	370,000	265,700	635,700
2021	380,000	254,450	634,450
2022	395,000	242,825	637,825
2023	400,000	230,900	630,900
2024	410,000	218,750	628,750
2025	425,000	204,099	629,099
2026	440,000	186,800	626,800
2027	460,000	168,800	628,800
2028	475,000	150,100	625,100
2029	495,000	130,700	625,700
2030	515,000	110,500	625,500
2031	525,000	89,700	614,700
2032	545,000	68,300	613,300
2033	565,000	46,100	611,100
2034	585,000	23,100	608,100
2035	285,000	5,700	290,700
	<u>\$ 7,475,000</u>	<u>\$ 2,669,824</u>	<u>\$ 10,144,824</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

SERIES - 2016 REFUNDING

Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total
2019	40,000	255,950	295,950
2020	40,000	255,150	295,150
2021	315,000	251,600	566,600
2022	315,000	245,300	560,300
2023	335,000	237,125	572,125
2024	350,000	226,850	576,850
2025	370,000	214,200	584,200
2026	390,000	199,000	589,000
2027	410,000	183,000	593,000
2028	440,000	166,000	606,000
2029	470,000	147,800	617,800
2030	490,000	128,600	618,600
2031	525,000	108,300	633,300
2032	555,000	86,700	641,700
2033	580,000	64,000	644,000
2034	610,000	40,200	650,200
2035	700,000	14,000	714,000
	<u>\$ 6,935,000</u>	<u>\$ 2,823,775</u>	<u>\$ 9,758,775</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 905,000	\$ 739,945	\$ 1,644,945
2020	930,000	702,645	1,632,645
2021	955,000	672,125	1,627,125
2022	980,000	645,755	1,625,755
2023	1,015,000	616,440	1,631,440
2024	1,040,000	584,490	1,624,490
2025	1,075,000	547,512	1,622,512
2026	1,120,000	504,885	1,624,885
2027	1,160,000	459,945	1,619,945
2028	1,205,000	412,740	1,617,740
2029	1,255,000	363,445	1,618,445
2030	1,305,000	311,950	1,616,950
2031	1,350,000	258,350	1,608,350
2032	1,400,000	202,650	1,602,650
2033	1,445,000	144,850	1,589,850
2034	1,495,000	85,050	1,580,050
2035	1,335,000	27,325	1,362,325
	<u>\$ 19,970,000</u>	<u>\$ 7,280,102</u>	<u>\$ 27,250,102</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2017
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Bonds - Series 2008	\$ 5,275,000	\$ 320,000
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Bonds - Series 2009	8,700,000	720,000
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Bonds - Series 2010	4,000,000	3,350,000
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Bonds - Series 2014	2,075,000	1,800,000
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Refunding Bonds - Series 2015	7,765,000	7,675,000
Fort Bend County Municipal Utility District No. 129 Unlimited Tax Refunding Bonds - Series 2016	<u>6,970,000</u>	<u>6,970,000</u>
TOTAL	<u>\$ 34,785,000</u>	<u>\$ 20,835,000</u>

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 65,810,000	\$ 32,905,000
Amount Issued	<u>24,650,000</u>	<u>435,000</u>
Remaining to be Issued	<u>\$ 41,160,000</u>	<u>\$ 32,470,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2018</u>		<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>			
\$ -0-	\$ 160,000	\$ 13,100	\$ 160,000		Wells Fargo Bank N.A. Houston, TX
	220,000	34,875	500,000		Wells Fargo Bank N.A. Houston, TX
	150,000	135,920	3,200,000		Wells Fargo Bank N.A. Houston, TX
	100,000	60,125	1,700,000		The Bank of New York Melon Trust Company N.A. Dallas, TX
	200,000	277,350	7,475,000		The Bank of New York Melon Trust Company N.A. Dallas, TX
	<u>35,000</u>	<u>256,700</u>	<u>6,935,000</u>		The Bank of New York Melon Trust Company N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 865,000</u>	<u>\$ 778,070</u>	<u>\$ 19,970,000</u>		

Debt Service Fund cash, investments and cash with paying agent balances as of July 31, 2018:

\$ 2,767,140

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 1,602,947

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

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

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 593,622	\$ 523,956	\$ 715,285
Water Service	348,456	324,579	304,376
Wastewater Service	843,776	845,213	820,435
Surface Water Fees	439,441	415,975	423,554
Penalty and Interest	18,905	15,927	14,995
Tap Connection and Inspection Fees	40,030	105,828	33,570
Fire Protection Services	147,331	142,762	138,079
Investment Revenues	40,805	16,251	6,641
Miscellaneous Revenues	23,093	11,210	4,780
TOTAL REVENUES	\$ 2,495,459	\$ 2,401,701	\$ 2,461,715
EXPENDITURES			
Professional Fees	\$ 117,036	\$ 106,152	\$ 112,773
Contracted Services	616,199	592,284	598,757
Purchased Water Service	615,166	589,010	602,544
Purchased Wastewater Service	172,518	142,764	168,010
Utilities			657
Surface Water Fees			
Repairs and Maintenance	86,683	92,211	83,994
Other	254,930	97,714	67,399
Capital Outlay	408,161	347,696	57,704
TOTAL EXPENDITURES	\$ 2,270,693	\$ 1,967,831	\$ 1,691,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 224,766	\$ 433,870	\$ 769,877
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 1,924	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 226,690	\$ 433,870	\$ 769,877
BEGINNING FUND BALANCE	4,190,897	3,757,027	2,987,150
ENDING FUND BALANCE	\$ 4,417,587	\$ 4,190,897	\$ 3,757,027

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 984,694	\$ 1,326,148	23.8 %	21.8 %	29.1 %	37.0 %	41.6 %
288,613	284,018	14.0	13.5	12.4	10.9	8.9
779,936	747,934	33.8	35.2	33.3	29.3	23.4
354,254	582,893	17.6	17.3	17.2	13.3	18.3
16,745	18,596	0.8	0.7	0.6	0.6	0.6
86,963	90,110	1.6	4.4	1.3	3.3	2.8
135,374	128,971	5.9	5.9	5.6	5.1	4.0
3,194	3,500	1.6	0.7	0.3	0.1	0.1
9,405	8,896	0.9	0.5	0.2	0.4	0.3
<u>\$ 2,659,178</u>	<u>\$ 3,191,066</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 91,249	\$ 103,427	4.7 %	4.4 %	4.6 %	3.4 %	3.2 %
583,451	534,011	24.7	24.7	24.3	21.9	16.7
396,984	412,820	24.7	24.5	24.5	14.9	12.9
153,132	198,315	6.9	5.9	6.8	5.8	6.2
14,697	12,319				0.6	0.4
122,253	318,919				4.6	10.0
94,429	106,988	3.5	3.8	3.4	3.6	3.4
80,892	79,431	10.2	4.1	2.8	3.0	2.5
1,432,317	608,483	16.4	14.5	2.3	53.9	19.1
<u>\$ 2,969,404</u>	<u>\$ 2,374,713</u>	<u>91.1 %</u>	<u>81.9 %</u>	<u>68.7 %</u>	<u>111.7 %</u>	<u>74.4 %</u>
<u>\$ (310,226)</u>	<u>\$ 816,353</u>	<u>8.9 %</u>	<u>18.1 %</u>	<u>31.3 %</u>	<u>(11.7) %</u>	<u>25.6 %</u>
<u>\$ 150,000</u>	<u>\$ - 0 -</u>					
\$ (160,226)	\$ 816,353					
<u>3,147,376</u>	<u>2,331,023</u>					
<u>\$ 2,987,150</u>	<u>\$ 3,147,376</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES			
Property Taxes	\$ 1,654,065	\$ 1,701,870	\$ 1,782,974
Penalty and Interest	8,635	13,040	8,159
Interest on Investments	30,658	13,567	5,609
Miscellaneous Revenues	<u>3,333</u>	<u>25</u>	
TOTAL REVENUES	<u>\$ 1,696,691</u>	<u>\$ 1,728,502</u>	<u>\$ 1,796,742</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 43,413	\$ 46,040	\$ 44,341
Debt Service Principal	865,000	800,000	810,000
Debt Service Interest and Fees	781,820	854,445	919,072
Bond Issuance Costs		<u>258,861</u>	
TOTAL EXPENDITURES	<u>\$ 1,690,233</u>	<u>\$ 1,959,346</u>	<u>\$ 1,773,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 6,458</u>	<u>\$ (230,844)</u>	<u>\$ 23,329</u>
OTHER FINANCING SOURCES (USES)			
Refunding Bonds	\$	\$ 6,970,000	\$
Payment to Refunding Bond Escrow Agent		(7,516,508)	
Bond Discount			
Bond Premium		<u>809,484</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 262,976</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 6,458	\$ 32,132	\$ 23,329
BEGINNING FUND BALANCE	<u>2,760,670</u>	<u>2,728,538</u>	<u>2,705,209</u>
ENDING FUND BALANCE	<u>\$ 2,767,128</u>	<u>\$ 2,760,670</u>	<u>\$ 2,728,538</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,488</u>	<u>1,456</u>	<u>1,414</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,386</u>	<u>1,361</u>	<u>1,324</u>

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,816,382	\$ 1,373,706	97.5 %	98.5 %	99.2 %	99.1 %	99.1 %
14,916	11,010	0.5	0.7	0.5	0.8	0.8
1,087	838	1.8 %	0.8 %	0.3 %	0.1 %	0.1 %
75	25	0.2				
<u>\$ 1,832,460</u>	<u>\$ 1,385,579</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 43,961	\$ 37,976	2.5 %	2.7 %	2.5 %	2.4 %	2.7 %
580,000	550,000	51.0	46.3	45.1	31.7	39.7
1,077,257	1,046,676	46.1	49.4	51.1	58.8	75.5
205,749			15.0		11.2	
<u>\$ 1,906,967</u>	<u>\$ 1,634,652</u>	<u>99.6 %</u>	<u>113.4 %</u>	<u>98.7 %</u>	<u>104.1 %</u>	<u>117.9 %</u>
\$ (74,507)	\$ (249,073)	<u>0.4 %</u>	<u>(13.4) %</u>	<u>1.3 %</u>	<u>(4.1) %</u>	<u>(17.9) %</u>
\$ 7,765,000	\$					
(7,948,369)						
(58,741)						
453,015						
<u>\$ 210,905</u>	<u>\$ - 0 -</u>					
\$ 136,398	\$ (249,073)					
2,568,811	2,817,884					
<u>\$ 2,705,209</u>	<u>\$ 2,568,811</u>					
<u>1,414</u>	<u>1,347</u>					
<u>1,324</u>	<u>1,261</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018

District Mailing Address - Fort Bend County Municipal Utility District No. 129
c/o The Muller Law Group, PLLC
202 Century Square Blvd.
Sugar Land, TX 77478

District Telephone Number - (281) 500-6050

Board Members:	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended July 31, 2018</u>	<u>Expense Reimbursements for the year ended July 31, 2018</u>	<u>Title</u>
Brian Gray	05/2018 05/2022 (Elected)	\$ 2,400	\$ 1,234	President
Robert Lin	05/2016 05/2020 (Elected)	\$ 1,650	\$ 112	Vice President
John Dimicelli	05/2018 05/2022 (Elected)	\$ 1,500	\$ 151	Assistant Vice President
Linda Garcia	05/2016 05/2020 (Elected)	\$ 2,850	\$ 2,270	Secretary
Hope Guidry-Groves	05/2016 05/2020 (Appointed)	\$ 2,400	\$ 1,787	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 13, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as prescribed by TWC Section 49.060. Fees of Office are the amounts actually paid to a Director during the District’s fiscal year.

See accompanying independent auditor’s report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 129
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2018</u>	<u>Title</u>
The Muller Law Group, PLLC	04/28/14	\$ 89,479 \$ -0-	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/22/16	\$ 11,750	Auditor
Municipal Accounts & Consulting LP	04/23/18	\$ 25,450	Bookkeeper
Perdue Brandon Fielder Collins & Mott LLP	01/24/05	\$ 782	Delinquent Tax Attorney
Costello Inc.	11/11/03	\$ 89,640	Engineer
Masterson Advisors LLC	04/23/18	\$ -0-	Financial Advisor
Mark Burton	05/29/18	\$ -0-	Investment Officer
SiEnvironmental, LLC	05/15/12	\$ 164,598	Operator
Tax Tech, Inc.	11/30/03	\$ 26,833	Tax Assessor/ Collector

See accompanying independent auditor's 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