

OFFICIAL STATEMENT DATED NOVEMBER 4, 2019

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF THE DISTRICT AND INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS – TAX EXEMPTION" HEREIN, WHICH INCLUDES A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
Underlying Rating: S&P "A" (stable outlook)
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

\$5,300,000

BIG OAKS MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE REFUNDING BONDS
SERIES 2019

Dated: December 1, 2019

Due: March 1, as shown below

The bonds described above (the "Bonds") are obligations solely of Big Oaks Municipal Utility District (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Houston or any entity other than the District. Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Co., N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 1, 2019, and is payable each March 1 and September 1, commencing March 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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 ASSURED GUARANTY MUNICIPAL CORP. See "MUNICIPAL BOND INSURANCE" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Table with 10 columns: Due (March 1), Principal Amount, Interest Rate, Initial Reoffering Yield (a), CUSIP Number (b), Due (March 1), Principal Amount, Interest Rate, Initial Reoffering Yield (a), CUSIP Number (b). Rows include maturities from 2020 to 2024.

- (a) Initial yield represents the initial offering yield to the public which has been established by the Underwriter...
(b) CUSIP numbers have been assigned to the Bonds by CUSIP Service Bureau...
(c) Bonds maturing on or after March 1, 2026, are subject to redemption prior to maturity...

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District...

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the initial Bonds by the Attorney General of Texas...

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas, 77046 upon payment of the costs of duplication therefor.

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

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

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. and Raymond James & Associates, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$5,439,390.35 (representing the par amount of the Bonds of \$5,300,000.00, plus a net premium on the Bonds of \$186,386.85, less an Underwriter’s discount of \$46,996.50) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

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

Impact on District... To the best knowledge of the District, the District's System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to IDS Engineering Group (the “Engineer”), after investigation, it appeared that approximately 921 homes within the District experienced water incursions or other significant damage as a result of Hurricane Harvey. The most significant flooding resulted in from 1' - 3' of water inside homes, while approximately half the damaged homes had less than 1' of water in the home.

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

THE DISTRICT

Description... The District was created by order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), dated November 1, 1983. The District contains approximately 595 acres of land located in the northeast portion of Fort Bend County approximately 25 miles from downtown Houston, Texas. The District is located approximately four miles west of State Highway 6 and is bounded on the north by the West Park Tollway and on the east by FM 1464. The District lies entirely within the extraterritorial jurisdiction of the City of Houston.

Status of Development... The District provides water, sanitary sewer and drainage service to West Oaks Village Subdivision, Sections 1 through 4 and Twin Oaks Village Subdivision, Sections 1 through 12 and 14, which includes 2,069 single-family lots on approximately 509 acres. Homes have been built on all of the lots in the District. The District contains approximately 7 acres of developable land which are not presently served with internal water, sanitary sewer and drainage facilities. In addition to the development described above, an elementary school has been constructed on approximately 12 acres of land in the District, which is not subject to taxation by the District. The District has approximately 8 acres of commercial reserves on which a Walgreen’s drugstore,

a Kids 'R Kids day care center and a retail strip center have been constructed. The remaining 59 acres in the District include easements, road rights-of-way, drainage areas, recreation and open spaces and plant sites. As of September 1, 2019, the District contained approximately 2,058 occupied single-family connections and 11 vacant single-family connections. See "THE DISTRICT—Status of Development."

Payment Record... The District has previously issued ten series of unlimited tax and revenue bonds and four series of unlimited tax and revenue refunding bonds. The District currently has \$13,685,000 principal amount of bonds outstanding (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See "THE DISTRICT—District Bankruptcy" and "FINANCIAL STATEMENT—Outstanding Bonds."

THE BONDS

Description... The \$5,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the "Bonds") are being issued as fully registered bonds pursuant to an order authorizing the issuance of such Bonds (the "Bond Order") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on March 1 in 2020 through 2028, both inclusive, in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from December 1, 2019, and is payable each March 1 and September 1, beginning March 1, 2020, until the earlier of maturity or prior redemption. See "THE BONDS."

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

Redemption... Bonds maturing on or after March 1, 2026 are subject to redemption at the option of the District prior to their maturity dates on March 1, 2025, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds from the sale of the Bonds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund \$5,200,000 of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." After the issuance of the Bonds, \$8,485,000 principal amount of the Outstanding Bonds will remain outstanding (the "Remaining Outstanding Bonds"). See "PLAN OF FINANCING" and "FINANCIAL STATEMENT—Outstanding Bonds."

Source of Payment... Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Order), if any, of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make any contribution to future debt service payments. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents of the District and users of the System. The Bonds are obligations of the District and are not obligations of Fort Bend County, the State of Texas, the City of Houston, or any entity other than the District. See "THE BONDS—Source of Payment."

*Municipal Bond Rating
and Municipal Bond
Insurance...*

It 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 Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). S&P has also assigned an underlying rating of "A" (stable outlook) to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

*Qualified Tax-Exempt
Obligations...*

The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

Bond Counsel...

Coats Rose, P.C., Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS" and "TAX MATTERS."

Financial Advisor...

Masterson Advisors LLC, Houston, Texas.

Underwriter's Counsel...

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar...

The Bank of New York Mellon Trust Co., N.A., Dallas, Texas. See "THE BONDS— Method of Payment of Principal and Interest."

Escrow Agent...

The Bank of New York Mellon Trust Co., N.A., Dallas, Texas. See "PLAN OF FINANCING—Payment of the Refunded Bonds."

Verification Agent...

Public Finance Partners LLC, Rockford, Minnesota. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation.....	\$415,950,205 (a)
Gross Direct Debt Outstanding	\$13,785,000 (b)
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation.....	3.31%
2019 Debt Service Tax Rate.....	\$0.45
2019 Maintenance Tax Rate.....	<u>0.32</u>
2019 Total Tax Rate	\$0.77
Average percentage of total tax collections (2014-2018).....	99.78%
Maximum Annual Debt Service Requirement (2020).....	\$1,794,611 (b)
Average Annual Debt Service Requirement (2020-2030).....	\$1,423,631 (b)
Tax Rate Required to Pay Maximum Annual Debt Service (2020) based upon the 2019 Certified Taxable Assessed Valuation at a 95% Collection Rate	\$0.46
Tax Rates Required to Pay Average Annual Debt Service Requirement (2020-2030) based upon the 2019 Certified Taxable Assessed Valuation at a 95% Collection Rate	\$0.37
Water Connections as of September 1, 2019:	
Single Family - Occupied	2,058
Single Family - Vacant	11
Commercial.....	9
Other Connections	48
Estimated Population	7,203 (c)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District").
(b) After the issuance of the Bonds. See "DEBT SERVICE REQUIREMENTS."
(c) Based on 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$5,300,000

BIG OAKS MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE REFUNDING BONDS
SERIES 2019

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Big Oaks Municipal Utility District (the “District”) of its \$5,300,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including without limitation, Chapter 1207 of the Texas Government Code, as amended and Chapters 49 and 54 of the Texas Water Code, as amended, an election held in the District, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), and City of Houston Ordinance No. 97-416.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Coats Rose, P.C. (“Bond Counsel”), 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 upon payment of the costs of duplication therefore.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds will be used to currently refund and defease a portion of the District’s Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2010 and Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012 totaling \$5,200,000 (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 issuing the Bonds. See “Sources and Uses of Funds” in this section. A total of \$8,485,000 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 will be applied to currently refund the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date	Series	Maturity Date	Series
<u>September 1</u>	<u>2010 Refunding</u>	<u>March 1</u>	<u>2012 Refunding</u>
2021	\$ 300,000	2021	\$ -
2022	310,000	2022	555,000
2023	325,000	2023	560,000
2024	-	2024	720,000
2025	-	2025	725,000
2026	-	2026	735,000
2027	-	2027	600,000
2028	-	2028	370,000
	<u>\$ 935,000</u>		<u>\$ 4,265,000</u>

Redemption Date: 12/12/2019

3/1/2020

The Refunded Bonds will be redeemed on the dates shown above.

Escrow Agreement and Defeasance of Refunded Bonds

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

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

Sources and Uses of Funds

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

Sources of Funds:

Principal Amount of the Bonds	\$5,300,000.00
Plus: Net Premium on the Bonds	<u>186,386.85</u>
Total Sources of Funds	\$5,486,386.85

Uses of Funds:

Deposit to Escrow Fund	\$5,281,034.82
Issuance Expenses and Underwriter’s Discount (a)	<u>205,352.03</u>
Total Uses of Funds	\$5,486,386.85

(a) Includes municipal bond insurance premium.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$5,200,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 1,821,717	\$ 208,406	\$ 70,000	\$ 111,300	\$ 181,300	\$ 1,794,611
2021	1,791,146	508,406	335,000	142,675	477,675	1,760,415
2022	1,746,897	1,050,306	895,000	124,225	1,019,225	1,715,815
2023	1,717,904	1,035,606	905,000	97,225	1,002,225	1,684,523
2024	1,576,138	831,600	725,000	72,775	797,775	1,542,313
2025	1,427,498	807,700	725,000	51,025	776,025	1,395,823
2026	1,385,109	788,500	725,000	29,275	754,275	1,350,884
2027	1,333,734	626,800	580,000	12,600	592,600	1,299,534
2028	1,072,977	377,400	340,000	3,400	343,400	1,038,977
2029	1,064,113	-	-	-	-	1,064,113
2030	1,012,930	-	-	-	-	1,012,930
Total	\$ 15,950,162	\$ 6,234,725	\$ 5,300,000	\$ 644,500	\$ 5,944,500	\$ 15,659,937

Maximum Annual Debt Service Requirement (2020).....\$1,794,611
 Average Annual Debt Service Requirement (2020-2030).....\$1,423,631

THE BONDS

Description

The Bonds will be dated and accrue interest from December 1, 2019, with interest payable each March 1 and September 1, beginning March 1, 2020 (the “Interest Payment Date”), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds.

The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's water and sewer system (the "System"). Net Revenues are defined by the Bond Order as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that are pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to contribute to debt service payments. The Net Revenues are entirely dependent upon the sale of water and sewer services to residents of the District and users of the System.

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

Funds

In the Bond Order, 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 Order shall be deposited, as collected, in such fund.

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

Redemption Provisions

Bonds maturing on or after March 1, 2026 are subject to redemption at the option of the District prior to their maturity dates on March 1, 2025, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). If less than all the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the District prior to the redemption date by such random method as the District shall deem fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Authority for Issuance

At a bond election held within the District on May 7, 1994, the voters of the District authorized the issuance of a total of \$23,250,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, including without limitation, Chapter 1207 of the Texas Government Code, as amended and City of Houston Ordinance No. 97-416.

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

Registration and Transfer

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

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the forty-five (45) day period prior to the date fixed for redemption of such Bond.

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

Method of Payment of Principal and Interest

The Board has appointed The Bank of New York Mellon Trust Company, N.A., having its principal corporate trust office and its principal payment office in Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District has \$5,250,000 of unlimited tax and revenue bonds authorized but unissued for the purposes of constructing water, sanitary sewer and drainage facilities and, after issuance of the Bonds, will have \$15,310,000 of unlimited tax and revenue refunding bonds authorized but unissued for refunding purposes. The Bond Order 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" and "INVESTMENT CONSIDERATIONS—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 master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreation facilities. 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 District is also authorized to levy an operations and maintenance tax to support parks and recreational facilities at a rate not to exceed ten cents (\$0.10) per \$100 assessed valuation of taxable property in the District, after such tax is approved at an election. The Board has authorized the preparation of a park plan at its October 2019 meeting, but has not taken any action to call an 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. Issuance of bonds for roads could dilute the investment security for the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District for a description of the terms of the Strategic Partnership Agreement.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

A district (such as 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, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

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.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See “INVESTMENT CONSIDERATIONS—Registered Owners’ Remedies” and “—Bankruptcy Limitation to Registered Owners’ Rights.”

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 rating of: “AA+” by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by order of the Texas Water Commission (predecessor to the Commission) dated November 1, 1983, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, is subject to the continuing supervision of the Commission.

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 may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, and parks and recreational facilities, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations and the granting of road powers by the Commission, develop and finance roads.

The Commission exercises continuing supervisory jurisdiction over the District. The District also 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, recreational, road and fire-fighting 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 lots and reserves described in a plat that has been approved by the Planning Commission of the City and filed in the real property records of Fort Bend County. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional State of Texas agencies. See "THE SYSTEM."

The District is located approximately 25 miles west of downtown Houston in Fort Bend County. It is bounded on the north by the West Park Toll Road and on the east boundary by FM 1464.

Status of Development

The District contains approximately 595 acres of land and provides water, sanitary sewer and drainage service to West Oaks Village Subdivision, Sections 1 through 4 and Twin Oaks Village Subdivision, Sections 1 through 12 and 14, which includes 2,069 single-family lots on approximately 509 acres. Homes have been built on all lots in the District. As of September 1, 2019, the District contained approximately 2,058 occupied single-family connections and 11 vacant single-family connections.

In addition to the development described above, an elementary school has been constructed on approximately 12 acres of land in the District, which is not subject to taxation by the District. The District has approximately 8 acres of commercial reserves on which a Walgreen's drugstore, a Kids 'R Kids day care center and a retail strip center have been constructed. The District contains approximately 7 acres of developable land which are not presently served with internal water, sanitary sewer and drainage facilities. The remaining 59 acres in the District include easements, road rights-of-way, drainage areas, recreation and open spaces, and plant sites.

Community Facilities

The District has two recreation centers within its boundaries. The first center has a competition-sized swimming pool, bathhouse, and playground. The second center has a junior olympic-sized swimming pool, bath house, and playground.

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities, including convenience stores, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments, are located within four miles of the District along FM 1093 (Westheimer Road) and State Highway 6. West Oaks Mall is located at the intersection of FM 1093 and State Highway 6. Fire protection is provided by Emergency Services District No. 100, which operates from a fire station located approximately five miles from the District. Police protection is provided by Fort Bend County. Children residing within the District attend schools within the Fort Bend Independent School District.

District Bankruptcy

The District defaulted in the payment of principal and interest on Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1986, in the original principal amount of \$2,550,000 (the “Series 1986 Bonds”) on August 1, 1992, and, after receiving approval from the Texas Water Commission (the predecessor to the Commission), on December 16, 1992 filed a petition in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Court”) under Chapter 9 of the Bankruptcy Code. On May 20, 1992, the District incorporated Big Oaks Property Development Corporation (the “Corporation”), a nonprofit corporation formed to acquire, own, hold, lease, sell, develop, and dispose of real and personal property within the boundaries of the District solely for the benefit of and on behalf of the District. In 1992, the Corporation acquired the 203 acres of land then comprising the District (the “Land”) from the Resolution Trust Corporation (the “RTC”) as part of a settlement of delinquent taxes owed to the District and other taxing entities. On December 29, 1993, the Corporation conveyed the Land to the District and became dormant. The Court issued an Order dated January 12, 1995 confirming the District’s Third Amended Plan of Adjustment (the “Plan”).

In accordance with the Plan, the District adopted an order authorizing \$2,550,000 Waterworks and Sewer System Combination Tax and Revenue Modified Capital Appreciation Refunding Bonds, Series 1995 (the “1995 Bond Order”) and issued its Waterworks and Sewer System Combination Tax and Revenue Modified Capital Appreciation Refunding Bonds, Series 1995 (the “Series 1995 Bonds”), which refunded and defeased all of the Series 1986 Bonds.

In accordance with the Plan, the District also entered into an Option, Installment Sales, and Initial Purchase Agreement (the “Purchase Contract”), dated January 19, 1995 with 1464 Development Partners, Ltd. (“1464”) pursuant to the terms of which the District obligated itself to convey the Land to 1464 and 1464 obligated itself to purchase and develop the Land in the District with water, sewer and drainage facilities.

The District refunded the Series 1995 Bonds with proceeds of the Series 1998 Bonds, and no Series 1995 Bonds or Series 1998 Bonds are currently outstanding. The Purchase Contract has been performed in full by both the District and 1464, and neither has any further obligation under the Purchase Contract.

MANAGEMENT OF THE DISTRICT

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 reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors’ elections are held in May of odd numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Abshire	President	May 2021
Sonyan Stephens	Vice President	May 2021
Jennifer Flores	Secretary	May 2021
Mark Van Dyck	Assistant Secretary	May 2023
David Johnson	Assistant Secretary	May 2023

District Consultants

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

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C. as general counsel to the District and as Bond Counsel in connection with the issuance of the District’s bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's financial statements for the fiscal year ending June 30, 2019 have been audited by Mark C. Eyring, CPA, PLLC. See "APPENDIX A" for a copy of the District's June 30, 2019 audited financial statements. The District has engaged Mark C. Eyring, CPA, PLLC to audit the District's financial statements for the fiscal year ending June 30, 2019.

Engineer: The consulting engineer for the District in connection with the review of design and construction of the District's facilities is IDS Engineering Group.

Tax Appraisal: The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. See "TAX PROCEDURES."

Tax Assessor/Collector: Land and improvements within the District were appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests is currently serving in this capacity for the District.

Bookkeeper: The District contracts with Myrtle Cruz, Inc. for bookkeeping services.

System Operator: The District contracts with Municipal Operations & Consulting, Inc. for maintenance and operation of the District's System.

THE SYSTEM

Regulation

According to the Engineer, the District's water, sanitary sewer, and drainage system (the "System") has 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. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District, 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.

Water, Sanitary Sewer and Drainage System

Source of Water Supply: The District is presently served by one water plant, which includes a 1,500 gallon per minute ("gpm") well and a 250 gpm well, a 300,000 gallon storage tank and a 400,000 gallon storage tank, two pressure tanks with a combined capacity of 40,000 gallons, and four booster pumps with a total combined capacity of 4,450 gpm. According to the Engineer, the District's existing water supply facilities are capable of serving 2,500 ESFC. In October 2011 the District began receiving surface water supply from North Fort Bend Water Authority (the "Authority"). The volume of water supplied by the Authority is not guaranteed, however the Authority plans to deliver the average daily water requirements of the District. The District actively maintains its wells to meet peak demands in the system and ensure the District has a reliable second source of water supply. The District has an emergency water supply agreement with Fort Bend County Municipal Utility District No. 30 ("MUD 30"), and MUD 30 has sufficient capacity to provide emergency water supply.

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. The District's authority to pump groundwater is subject to an annual permit 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. In 2005, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water

to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority’s GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, \$1.50 per 1,000 gallons based on the amount of groundwater pumped and \$1.85 per 1,000 gallons based on the amount of surface water purchased. It is expected that the Authority will issue a substantial amount of bonds by the year 2025 to finance the Authority’s project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

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

Source of Wastewater Treatment: The District owns a 600,000 gallons per day (“gpd”) wastewater treatment plant, which has the capacity to serve approximately 2,316 equivalent single-family connections.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years.

According to the Engineer, no portions of the District are currently in the official flood plain as designated by the Federal Emergency Management Agency’s Flood Insurance Rate Map for the area, dated April 20, 2000. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation	\$415,950,205 (a)
Gross Direct Debt Outstanding.....	\$13,785,000 (b)
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation.....	3.31%

Area of District—595 acres
Estimated 2019 Population—7,203 (c)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”).
 (b) After the issuance of the Bonds. See “DEBT SERVICE REQUIREMENTS.”
 (c) Based on 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of October 9, 2019)

General Fund	Cash and Temporary Investments	\$2,743,518
Capital Projects	Cash and Temporary Investments	\$434,736
Debt Service Fund	Cash and Temporary Investments	\$902,098

Investments of the District

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

Outstanding Bonds

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

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2007	\$ 1,025,000	\$ 200,000	\$ -	\$ 200,000
2009	4,210,000	1,100,000	-	1,100,000
2010 (a)	7,175,000	1,215,000	935,000	280,000
2012 (a)	7,350,000	5,360,000	4,265,000	1,095,000
2015 (a)	6,225,000	5,810,000	-	5,810,000
Total	\$ 25,985,000	\$ 13,685,000	\$ 5,200,000	\$ 8,485,000
The Bonds				5,300,000
The Bonds and Remaining Outstanding Bonds				\$ 13,785,000

- (a) Unlimited Tax and Revenue Refunding Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 593,614,527	8/31/2019	0.44%	\$ 2,611,904
Fort Bend ISD.....	1,092,173,767	8/31/2019	0.85%	9,283,477
Total Estimated Overlapping Debt.....				\$ 11,895,381
The District.....	13,785,000 (a)	Current	100.00%	13,785,000
Total Direct and Estimated Overlapping Debt.....				\$ 25,680,381
Direct and Estimated Overlapping Debt as a Percentage of:				
2019 Certified Taxable Assessed Valuation.....				6.17%

(a) After the issuance of the Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”

Overlapping Taxes

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County.....	\$ 0.458200
Fort Bend Independent School District.....	1.320000
Harris-Fort Bend Emergency Service District No. 100.....	<u>0.100000</u>
Total Overlapping Tax Rate.....	\$ 1.878200
The District.....	<u>0.770000</u>
Total Tax Rate.....	\$ 2.648200

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order 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. For the 2019 tax year, the Board levied a debt service tax in the amount of \$0.45 per \$100 assessed valuation.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On August 11, 1984, the Board was authorized to levy such a maintenance tax in an unlimited amount. For the 2019 tax year, the Board levied a maintenance tax in the amount of \$0.32 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.450	\$ 0.480	\$ 0.460	\$ 0.550	\$ 0.590
Maintenance and Operations	0.320	0.330	0.290	0.200	0.200
Total	\$0.7700	\$0.8100	\$0.7500	\$0.7500	\$0.7900

Additional Penalties

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

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has adopted a \$10,000 exemption for persons who are over 65 years of age or disabled.

Historical Tax Collections

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

Tax Year	Certified Taxable	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2019 (a)	
	Assessed Valuation			Amount	Percent
2014	\$ 315,142,196	\$ 0.850	\$ 2,678,714	\$2,678,311	99.98%
2015	350,386,994	0.790	2,768,058	2,767,771	99.99%
2016	379,807,052	0.750	2,848,558	2,847,796	99.97%
2017	408,063,016	0.750	3,060,478	3,053,150	99.76%
2018	377,081,556	0.810	3,047,179	3,025,781	99.30%
2019	415,950,205	0.770	3,202,817	(b)	(b)

(a) Unaudited collections.

(b) In process of collection. 2019 taxes are due January 31, 2020.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate. The following represents the composition of property comprising the 2017 through 2019 Certified Taxable Assessed Valuation. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See “TAX PROCEDURES.”

	2019 Certified Taxable <u>Assessed Valuation</u>	2018 Certified Taxable <u>Assessed Valuation</u>	2017 Certified Taxable <u>Assessed Valuation</u>
Land	\$ 81,815,690	\$ 72,705,330	\$ 73,459,430
Improvements	341,686,222	310,364,680	343,728,740
Personal Property	5,892,250	6,317,810	5,752,690
Exemptions	<u>(13,443,957)</u>	<u>(13,193,034)</u>	<u>(14,877,844)</u>
Total	<u>\$ 415,950,205</u>	<u>\$ 376,194,786</u>	<u>\$ 408,063,016</u>

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property’s taxable appraised value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$415,950,205, which represents ownership as of January 1, 2019.

<u>Taxpayer</u>	<u>Type of Property</u>	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Walgreens Co.	Land, Improvements & Personal Property	\$ 2,752,410	0.40%
Arilar Inc.	Land, Improvements & Personal Property	1,766,280	0.25%
Centerpoint Energy Electric	Personal Property	1,520,150	0.22%
NLR Real Estate	Land & Improvements	1,450,000	0.21%
AMH 2014 - 3 Borrower LLC	Land & Improvements	1,320,980	0.19%
AR. OD. T LLC	Land & Improvements	1,013,630	0.15%
Realty Income Properties	Land & Improvements	964,640	0.14%
National Retail Properties	Land & Improvements	961,397	0.14%
Progress Residential 2015	Land & Improvements	924,760	0.13%
AMH 2015 - 2 Borrower LLC	Land & Improvements	884,990	0.13%
Total		\$ 13,559,237	1.96%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Certified Taxable Assessed Valuation, no use of available funds, and utilize a tax rate necessary to pay the District's maximum annual debt service requirement on the District’s bonded indebtedness, following the issuance of the Bonds. See “DEBT SERVICE REQUIREMENTS.”

Maximum Annual Debt Service Requirement (2020)	\$1,794,611
\$0.46 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$1,817,702
 Average Annual Debt Service Requirement (2020-2030)	 \$1,423,631
\$0.37 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$1,462,065

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For 2019, the Board applied a homestead exemption of \$10,000 for persons who are disabled or 65 years or older.

The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by May 1. The District currently does not grant a homestead exemption. 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 less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 of Houston may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, Fort Bend Independent School District, the District, and the City of Houston (if it were to annex the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

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 a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to

the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

The 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. However, a person who is (i) 65 years of age or older, (ii) disabled or (iii) a disabled veteran, entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional 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 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, 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 equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions. 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 (as to those provisions discussed herein) of January 1, 2020, 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. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax 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 election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

WATER AND SEWER OPERATIONS

The 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 and are further payable from and secured by a pledge of and lien on Net Revenues of the District's waterworks and sanitary sewer system. It is not anticipated that any Net Revenues will be available for debt service on the Bonds in the foreseeable future.

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the audited financial statements in the case of June 30, 2015 through June 30, 2019. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended June 30				
	2019	2018	2017	2016	2015
Revenues					
Property Taxes	\$ 1,241,940	\$ 1,180,434	\$ 763,762	\$ 698,640	\$ 625,118
Water Service	413,470	450,519	425,881	425,790	415,851
Sewer Service	697,585	735,890	736,318	696,301	688,437
Surface Water Fees	674,907	651,793	649,848	611,753	490,647
Penalty and Interest	34,578	34,467	38,557	38,722	38,690
Tap Connection and Sewer Inspection Fees	14,775	1,000	-	20,253	-
Interest on Deposits and Investments	44,846	21,807	3,586	1,637	1,264
Services to Other District	171,883	28,888	-	-	-
Other Revenues	30,672	36,946	51,303	28,086	35,853
Total Revenues	\$ 3,324,656	\$ 3,141,744	\$ 2,669,255	\$ 2,521,182	\$ 2,295,860
Expenditures					
Professional Fees	\$ 128,610	\$ 148,495	\$ 163,967	\$ 128,758	\$ 142,947
Contracted Services	143,121	141,692	129,355	128,141	117,775
Utilities	93,057	100,753	99,374	124,182	121,569
Surface Water Fees	781,088	707,093	636,518	626,461	550,332
Repairs and Maintenance	614,209	562,262	427,636	634,091	520,835
Other Operating Expenditures	191,250	214,808	169,170	225,790	156,777
Security Service	63,577	58,226	58,494	55,419	55,993
Garbage Disposal	379,057	378,671	376,377	376,726	369,322
Administrative Expenditures	121,412	114,797	122,869	107,019	133,547
Capital Outlay / Non-Capital Outlay	65,686	22,302	135,515	24,001	-
Total Expenditures	\$ 2,581,067	\$ 2,449,099	\$ 2,319,275	\$ 2,430,588	\$ 2,169,097
Net Revenues	\$ 743,589	\$ 692,645	\$ 349,980	\$ 90,594	\$ 126,763
Other Financing Sources:					
Transfer to (from) Other Fund	-	-	\$ 162,777	\$ 27,798	\$ 73,302
Net Change in Fund Balances / Net Position	\$ 743,589	\$ 692,645	\$ 512,757	\$ 118,392	\$ 200,065
Fund Balance (Beginning of Year)	\$ 2,160,029	\$ 1,467,384	\$ 954,627	\$ 836,235	\$ 636,170
Fund Balance (End of Year)	\$ 2,903,618	\$ 2,160,029	\$ 1,467,384	\$ 954,627	\$ 836,235

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 Houston, 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 and are further payable from and secured by a pledge of and lien on Net Revenues of the District's waterworks and sanitary sewer system. 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 Events; Hurricane Harvey

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

To the best knowledge of the District, the District's System (as defined herein) did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the District's Engineer, after investigation, it appeared that approximately 921 homes within the District experienced water incursions or other significant damage as a result of Hurricane Harvey. The most significant flooding resulted in from 1' - 3' of water inside homes, while approximately half the damaged homes had less than 1' of water in the home.

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

Specific Flood Type Risks

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

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

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property

(see “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. 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 Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has \$5,250,000 of unlimited tax and revenue bonds authorized but unissued for the purposes of constructing water, sanitary sewer and drainage facilities and, after issuance of the Bonds, will have \$15,310,000 of unlimited tax and revenue refunding bonds authorized but unissued for refunding purposes. 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 is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

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 authorized the preparation of a park plan at its October 2019 meeting, but has not taken any action to call an 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. Issuance of bonds for roads could dilute the investment security for the Bonds.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

Air Quality 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-Brazoria 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, the 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, the 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 the 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 the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

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

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

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

The 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.

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty days after its publication in the Federal Register.

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

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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 bond insurer (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.

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.

Changes in Tax Legislation

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign 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 Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "A" (stable outlook) to the Bonds. An explanation of the ratings may be obtained from S&P.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its 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, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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.

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings:

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM:

At June 30, 2019:

- The policyholders' surplus of AGM was approximately \$2,530 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference:

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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

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

Miscellaneous Matters:

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

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and the net revenues, if any, from the System, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. Bond Counsel’s opinion also will address the matters described below under “Tax Exemption.” The legal opinion of Bond Counsel may be printed on the Bonds. Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of 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.

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 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 will represent that the aggregate amount of tax-exempt obligations (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 this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, "S" corporations with "subchapter C" earnings and profits, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited to the Escrow Fund for the payment of the Refunded Bonds; (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, and (c) compliance with City of Houston Ordinance No. 97-416.

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

Financial Advisor

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

Bond Counsel

Coats Rose P.C. is employed as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions "PLAN OF FINANCING—Escrow Agreement and Defeasance of Refunded Bonds," "THE BONDS," "THE DISTRICT—General," "TAX PROCEDURES," "LEGAL MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Consultants

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

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

Appraisal District: The information contained in this Official Statement relating to the historical breakdown of the certified taxable appraised valuations and the Estimated Taxable Assessed Valuation, have been provided by the Fort Bend Central Appraisal District and have 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 certified taxable appraised valuations, tax collection rates, principal taxpayers and certain other historical data concerning tax rates and tax collections has been provided by Bob Leared Interests and is included herein in reliance upon the authority of such person as an expert in assessing property values and collecting taxes.

Auditor: The District's audited financial statement for the fiscal year ending June 30, 2019, was prepared by Mark C. Eyring, CPA, PLLC. See "APPENDIX A."

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "FINANCIAL STATEMENT," "TAX DATA," "THE SYSTEM," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS," and in the audited financial statements included in APPENDIX A. The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2020 to the MSRB.

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

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

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This OFFICIAL STATEMENT was approved by the Board of Directors of Big Oaks Municipal Utility District, as of the date shown on the cover page.

/s/Michael Abshire
President, Board of Directors

ATTEST:

/s/Jennifer Flores
Secretary, Board of Directors

APPENDIX A
Financial Statements of the District for the year ended June 30, 2019

BIG OAKS MUNICIPAL UTILITY DISTRICT
FORT BEND COUNTY, TEXAS
ANNUAL AUDIT REPORT
JUNE 30, 2019

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Mark C. Eyring, CPA, PLLC

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October 9, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Oaks Municipal
Utility District
Fort Bend County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Big Oaks Municipal Utility District, as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Big Oaks Municipal Utility District as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 22 be presented to supplement the basic financial statements. Such information, although not 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 23 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right portion of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Big Oaks Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 6,175,406	\$ 6,435,517	\$ (260,111)
Capital assets	<u>15,603,352</u>	<u>15,180,461</u>	<u>422,891</u>
Total assets	<u>21,778,758</u>	<u>21,615,978</u>	<u>162,780</u>
Long-term liabilities	15,076,947	16,586,389	(1,509,442)
Other liabilities	<u>626,443</u>	<u>697,177</u>	<u>(70,734)</u>
Total liabilities	<u>15,703,390</u>	<u>17,283,566</u>	<u>(1,580,176)</u>
Net position:			
Invested in capital assets, net of related debt	526,405	(1,405,928)	1,932,333
Restricted	2,629,854	3,565,322	(935,468)
Unrestricted	<u>2,919,109</u>	<u>2,173,018</u>	<u>746,091</u>
Total net position	<u>\$ 6,075,368</u>	<u>\$ 4,332,412</u>	<u>\$ 1,742,956</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 3,076,129	\$ 3,070,333	\$ 5,796
Charges for services	2,037,870	1,939,503	98,367
Other revenues	<u>77,502</u>	<u>47,119</u>	<u>30,383</u>
Total revenues	<u>5,191,501</u>	<u>5,056,955</u>	<u>134,546</u>
Expenses:			
Service operations	3,209,821	3,181,649	28,172
Debt service	<u>545,891</u>	<u>614,285</u>	<u>(68,394)</u>
Total expenses	<u>3,755,712</u>	<u>3,795,934</u>	<u>(40,222)</u>
Special Item:			
Water capacity use proceeds	<u>307,167</u>	<u>0</u>	<u>307,167</u>
Change in net position	1,742,956	1,261,021	481,935
Net position, beginning of year	<u>4,332,412</u>	<u>3,071,391</u>	<u>1,261,021</u>
Net position, end of year	<u>\$ 6,075,368</u>	<u>\$ 4,332,412</u>	<u>\$ 1,742,956</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2019, were \$5,587,954, a decrease of \$204,283 from the prior year.

The General Fund balance increased by \$743,589, in accordance with the District's financial plan.

The Debt Service Fund balance decreased by \$267,588, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$680,284, as authorized expenditures exceeded interest earnings on deposits and investments and the receipt of \$307,167 from another district for temporary use of capacity in the District's water facilities.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of June 30, 2019, was expected to be \$2,029,944 and the actual end of year fund balance was \$2,903,618.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land and detention ponds	\$ 2,942,372	\$ 2,942,372	\$ 0
Construction in progress	343,520	172,456	171,064
Recreation facilities	428,946	458,437	(29,491)
Water facilities	2,710,543	2,086,668	623,875
Sewer facilities	3,919,578	4,061,423	(141,845)
Drainage facilities	5,258,393	5,459,105	(200,712)
Totals	<u>\$ 15,603,352</u>	<u>\$ 15,180,461</u>	<u>\$ 422,891</u>

Changes to capital assets during the fiscal year ended June 30, 2019, are summarized as follows:

Additions:

Water system improvements	\$ 993,780
Wastewater system improvements	45,000
Master plan for park	<u>13,786</u>
Total additions to capital assets	1,052,566

Decreases:

Depreciation	<u>(629,675)</u>
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Net change to capital assets	<u>\$ 422,891</u>
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Debt

Changes in the bonded debt position of the District during the fiscal year ended June 30, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 16,240,000
Bonds paid	<u>(1,505,000)</u>
Bonded debt payable, end of year	<u>\$ 14,735,000</u>

At June 30, 2019, the District had \$5,250,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds prior to 2015 have an underlying rating of A by Standard & Poor's. The Series 2007 and 2009 bonds are insured by Assured Guaranty Corp. The Series 2008 and 2012 bonds are insured by Assured Guaranty Municipal Corp. The rating of the Series 2010 bonds is A by Standard & Poor's. The rating of the Series 2007, 2008, 2009 and 2012 bonds is AA by Standard & Poor's. The Series 2015 bonds are not rated. There were no changes in the bond ratings during the fiscal year ended June 30, 2019.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base decreased approximately \$30,980,000 for the 2018 tax year (approximately 8%) primarily due to the decrease in average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the "Plan") to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District's jurisdiction. Under the Plan, the District is required to have a groundwater reduction plan ("GRP") approved by the Subsidence District by the beginning date of the District's permit term in 2010, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District's total water demand. Additional disincentive fees would be imposed under the Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2013, and exceeds 40% of the District's total water demand beginning January of 2025.

The Texas Legislature has created the North Fort Bend Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. As of June 30, 2019, the Authority had established a fee of \$3.65 per 1,000 gallons of groundwater pumped and a fee of \$4.00 per 1,000 gallons of surface water.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

BIG OAKS MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 1,405,493	\$ 1,249,788	\$ 394,784	\$ 3,050,065	\$	\$ 3,050,065
Certificates of deposit, at cost, Note 7		444,353		444,353		444,353
Temporary investments, at cost, Note 7	1,807,621	561,313	97,118	2,466,052		2,466,052
Receivables:						
Property taxes	15,491	23,820		39,311		39,311
Accrued penalty and interest on property taxes				0	8,223	8,223
Service accounts	125,989			125,989		125,989
Accrued interest		1,509		1,509		1,509
Due from other district, Note 10	39,904			39,904		39,904
Maintenance taxes collected not yet transferred from other fund	4,789			4,789	(4,789)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	3,285,892	3,285,892
Depreciable capital assets				0	12,317,460	12,317,460
Total assets	<u>\$ 3,399,287</u>	<u>\$ 2,280,783</u>	<u>\$ 491,902</u>	<u>\$ 6,171,972</u>	<u>15,606,786</u>	<u>21,778,758</u>
LIABILITIES						
Accounts payable	\$ 295,609	\$ 2,987	\$	\$ 298,596		298,596
Construction contracts payable			56,753	56,753		56,753
Accrued interest payable				0	86,525	86,525
Customer and builder deposits	184,569			184,569		184,569
Maintenance taxes collected not yet transferred to other fund		4,789		4,789	(4,789)	0
Long-term liabilities, Note 5:						
Due within one year				0	2,193,824	2,193,824
Due in more than one year				0	12,883,123	12,883,123
Total liabilities	<u>480,178</u>	<u>7,776</u>	<u>56,753</u>	<u>544,707</u>	<u>15,158,683</u>	<u>15,703,390</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>15,491</u>	<u>23,820</u>	<u>0</u>	<u>39,311</u>	<u>(39,311)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		2,249,187		2,249,187	(2,249,187)	0
Capital projects			435,149	435,149	(435,149)	0
Unassigned	<u>2,903,618</u>			<u>2,903,618</u>	<u>(2,903,618)</u>	<u>0</u>
Total fund balances	<u>2,903,618</u>	<u>2,249,187</u>	<u>435,149</u>	<u>5,587,954</u>	<u>(5,587,954)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,399,287</u>	<u>\$ 2,280,783</u>	<u>\$ 491,902</u>	<u>\$ 6,171,972</u>		
Net position:						
Invested in capital assets, net of related debt					526,405	526,405
Restricted for debt service					2,194,705	2,194,705
Restricted for capital projects					435,149	435,149
Unrestricted					<u>2,919,109</u>	<u>2,919,109</u>
Total net position					<u>\$ 6,075,368</u>	<u>\$ 6,075,368</u>

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

BIG OAKS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 1,241,940	\$ 1,808,925	\$	\$ 3,050,865	\$ 3,706	\$ 3,054,571
Water service	413,470			413,470		413,470
Sewer service	697,585			697,585		697,585
Surface water fees, Note 9	674,907			674,907		674,907
Services to other district, Note 10	171,883			171,883		171,883
Penalty and interest	34,578	20,214		54,792	1,344	56,136
Tap connection and inspection fees	14,775			14,775		14,775
Interest on deposits and investments	44,846	26,327	6,329	77,502		77,502
Other revenues	30,672			30,672		30,672
Total revenues	3,324,656	1,855,466	6,329	5,186,451	5,050	5,191,501
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	128,610	3,802		132,412		132,412
Contracted services	143,121	48,025		191,146		191,146
Utilities	93,057			93,057		93,057
Surface water fees, Note 9	781,088			781,088		781,088
Repairs and maintenance	614,209			614,209		614,209
Other operating expenditures	191,250			191,250		191,250
Security service	63,577			63,577		63,577
Garbage disposal	379,057			379,057		379,057
Administrative expenditures	121,412	6,038		127,450		127,450
Depreciation				0	629,675	629,675
Capital outlay / non-capital outlay	65,686		993,780	1,059,466	(1,052,566)	6,900
Debt service:						
Principal retirement		1,505,000		1,505,000	(1,505,000)	0
Interest and fees		560,189		560,189	(14,298)	545,891
Total expenditures / expenses	2,581,067	2,123,054	993,780	5,697,901	(1,942,189)	3,755,712
Excess (deficiency) of revenues over expenditures	743,589	(267,588)	(987,451)	(511,450)	1,947,239	1,435,789
OTHER FINANCING SOURCES (USES)						
Use of capacity in water plant, Note 10	0	0	307,167	307,167	(307,167)	0
SPECIAL ITEM						
Use of capacity in water plant, Note 10	0	0	0	0	307,167	307,167
Net change in fund balances / net position	743,589	(267,588)	(680,284)	(204,283)	1,947,239	1,742,956
Beginning of year	2,160,029	2,516,775	1,115,433	5,792,237	(1,459,825)	4,332,412
End of year	<u>\$ 2,903,618</u>	<u>\$ 2,249,187</u>	<u>\$ 435,149</u>	<u>\$ 5,587,954</u>	<u>\$ 487,414</u>	<u>\$ 6,075,368</u>

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

BIG OAKS MUNICIPAL UTILITY DISTRICTNOTES TO THE FINANCIAL STATEMENTSJUNE 30, 2019

NOTE 1: REPORTING ENTITY

Big Oaks Municipal Utility District (the "District") was created by the Texas Water Commission (now the Texas Commission on Environmental Quality) on November 1, 1983, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on November 17, 1983, and the first bonds were sold on June 25, 1986. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 5,587,954
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		15,603,352
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (14,735,000)	
Deferred charge on refunding (to be amortized as interest expense)	372,806	
Issuance premium, net of discount (to be amortized as interest expense)	<u>(714,753)</u>	(15,076,947)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	8,223	
Uncollected property taxes	<u>39,311</u>	47,534
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(86,525)</u>
Net position, end of year		<u>\$ 6,075,368</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ (204,283)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 1,052,566	
Depreciation	<u>(629,675)</u>	422,891
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		1,505,000
<p>The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(64,817)	
Issuance premium, net of discount	<u>69,259</u>	4,442
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	1,344	
Uncollected property taxes	<u>3,706</u>	5,050
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>9,856</u>
Change in net position		<u>\$ 1,742,956</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 803,867	\$	\$	\$ 803,867
Detention ponds	2,138,505			2,138,505
Construction in progress	<u>172,455</u>	<u>171,064</u>		<u>343,519</u>
Total capital assets not being depreciated	<u>3,114,827</u>	<u>171,064</u>	<u>0</u>	<u>3,285,891</u>
Depreciable capital assets:				
Recreation facilities	589,809			589,809
Water system	4,609,268	836,502		5,445,770
Sewer system	7,117,531	45,000		7,162,531
Drainage system	<u>9,097,989</u>			<u>9,097,989</u>
Total depreciable capital assets	<u>21,414,597</u>	<u>881,502</u>	<u>0</u>	<u>22,296,099</u>
Less accumulated depreciation for:				
Recreation facilities	(131,372)	(29,491)		(160,863)
Water system	(2,522,600)	(212,627)		(2,735,227)
Sewer system	(3,056,108)	(186,845)		(3,242,953)
Drainage system	<u>(3,638,884)</u>	<u>(200,712)</u>		<u>(3,839,596)</u>
Total accumulated depreciation	<u>(9,348,964)</u>	<u>(629,675)</u>	<u>0</u>	<u>(9,978,639)</u>
Total depreciable capital assets, net	<u>12,065,633</u>	<u>251,827</u>	<u>0</u>	<u>12,317,460</u>
Total capital assets, net	<u>\$ 15,180,460</u>	<u>\$ 422,891</u>	<u>\$ 0</u>	<u>\$ 15,603,351</u>
Changes to capital assets:				
Capital outlay		\$ 1,052,566	\$	
Depreciation expense for the fiscal year		<u>(629,675)</u>		
Net increases / decreases to capital assets		<u>\$ 422,891</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 16,240,000	\$	\$ 1,505,000	\$ 14,735,000	\$ 2,140,000
For net issuance premium (discount)	784,012		69,259	714,753	114,071
For refunding	<u>(437,623)</u>		<u>(64,817)</u>	<u>(372,806)</u>	<u>(60,247)</u>
Total bonds payable	<u>16,586,389</u>	<u>0</u>	<u>1,509,442</u>	<u>15,076,947</u>	<u>2,193,824</u>
Total long-term liabilities	<u>\$ 16,586,389</u>	<u>\$ 0</u>	<u>\$ 1,509,442</u>	<u>\$ 15,076,947</u>	<u>\$ 2,193,824</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of June 30, 2019, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,140,000	\$ 496,152	\$ 2,636,152
2021	1,375,000	423,980	1,798,980
2022	1,395,000	368,610	1,763,610
2023	1,415,000	314,984	1,729,984
2024	1,670,000	260,323	1,930,323
2025 - 2029	5,740,000	634,831	6,374,831
2030	1,000,000	25,860	1,025,860
	<u>\$ 14,735,000</u>	<u>\$ 2,524,740</u>	<u>\$ 17,259,740</u>

Bonds voted	\$ 51,050,000
Bonds approved for sale and sold	45,800,000
Bonds voted and not issued	5,250,000
Refunding bonds voted	23,250,000
Refunding bonds sold	7,840,000
Refunding bonds voted and not issued	15,410,000

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, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at June 30, 2019, were as follows:

	<u>Series 2007</u>	<u>Refunding Series 2008</u>	<u>Series 2009</u>
Amounts outstanding, June 30, 2019	\$200,000	\$250,000	\$1,100,000
Interest rates	4.30%	4.00%	4.50%
Maturity dates, serially beginning/ending	March 1, 2020/2021	September 1, 2019	March 1, 2020/2023
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2016*	September 1, 2017*	March 1, 2018*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>	<u>Refunding Series 2015</u>
Amounts outstanding, June 30, 2019	\$2,015,000	\$5,360,000	\$5,810,000
Interest rates	4.00% to 4.50%	4.00%	2.586%
Maturity dates, serially beginning/ending	September 1, 2019/2023	March 1, 2020/2028	March 1, 2020/2030
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2018*	March 1, 2020*	March 1, 2020*

*Or any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District.

Developer Construction Commitments and Liabilities

At June 30, 2019, there were no developer construction commitments or liabilities.

NOTE 6: PROPERTY TAXES

The Fort Bend Central Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed, and are not delinquent until after the following January 31. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held October 27, 1984, the voters within the District authorized a maintenance tax without limitation as to rate or amount on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 12, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$377,091,556:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4800	\$ 1,810,040
Maintenance	<u>0.3300</u>	<u>1,244,403</u>
	<u>\$ 0.8100</u>	<u>\$ 3,054,443</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2018 tax year total property tax levy	\$ 3,054,443
Appraisal district adjustments to prior year taxes	<u>128</u>
Statement of Activities property tax revenues	<u>\$ 3,054,571</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions, in TexSTAR (a private sector money market fund) and in TexPool, a local government investment pool sponsored by the State Comptroller. TexSTAR and TexPool are rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$3,494,418 and the bank balance was \$3,568,918. Of the bank balance, \$959,923 was covered by federal insurance and \$2,608,995 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool and TexSTAR were \$1,435,860 and \$1,030,172, respectively.

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 1,249,788
Certificates of deposit	444,353
Temporary investments	<u>561,313</u>
	<u>\$ 2,255,454</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 394,784
Certificates of deposit	46,757
Temporary investments	<u>50,361</u>
	<u>\$ 491,902</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At June 30, 2019, the District had physical damage and boiler and machinery coverage of \$4,349,921, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, pollution coverage of \$2,000,000, automobile liability coverage of \$2,000,000, consultant’s crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: REGIONAL WATER AUTHORITY

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. On September 24, 2003, the Subsidence District issued a District Regulatory Plan (the “Plan”) to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas within the Subsidence District’s jurisdiction. Under the Plan, the District is required to have a groundwater reduction plan (“GRP”) approved by the Subsidence District by the beginning date of the District’s permit term in 2010, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District’s total water demand. Additional disincentive fees would be imposed under the Plan if the District’s groundwater withdrawal exceeds 70% of the District’s total water demand beginning January 2013, and exceeds 40% of the District’s total water demand beginning January of 2025.

The Texas Legislature has created the North Fort Bend Water Authority (the “Authority”) and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the Subsidence District’s requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority’s GRP to achieve compliance with the Subsidence District’s requirements. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. As of June 30, 2019, the Authority had established a well pumpage fee of \$3.65 per 1,000 gallons of water pumped from each regulated well and surface water usage fees of \$4.00 per 1,000 gallons. The District passes this fee through to the water consumers within the District. The District’s fees payable to the Authority for the fiscal year ended June 30, 2019, were \$781,088. The District billed its customers \$674,907 during the fiscal year to pay for the fees charged by the Authority.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In addition, conversion to surface water will necessitate improvements to the District’s water supply system, which could require issuance of additional bonds. In the event the Authority fails to commence construction of surface water infrastructure by the deadline established by the Subsidence District, the District and others within the Authority’s GRP group could be required to pay the disincentive fee on withdrawn groundwater.

NOTE 10: CONTRACT WITH OTHER DISTRICT

On November 15, 2016, the District and Fort Bend County Municipal Utility District No. 190 (“FB190”) entered into a forty (40) year agreement whereby FB190 purchased a portion of the capacity in the District’s water and sewer plants. The agreement provides that FB190 may purchase up to 350 Equivalent Single Family Residential Connections (“ESFC”) in the District’s water facilities at \$1,500 per ESFC and up to 195 ESFCs in the District’s sewer facilities at \$2,400 per ESFC. During the fiscal year ended June 30, 2017, FB190 purchased 195 water and sewer ESFCs for \$760,500. During the fiscal year ended June 30, 2019, pursuant to an amendment to the agreement dated June 12, 2018, FB190 purchased an additional 155 ESFCs in the District’s water facilities for a payment of \$232,500.00 and paid the District an additional \$74,666.67. At such time as FB190 completes its own water plant, FB190 will no longer own any portion of the District’s water facilities or be obligated to pay for a pro rata share of expenses of the District’s water facilities; and, at that time, the agreement shall only obligate the District to provide water to FB190 on an emergency basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The agreement further provides that FB190 will pay its pro rata share of operating the water and sewer facilities. On or before the end of each quarter of the District's fiscal year, FB190 will pay to the District FB190's pro rata share of the budgeted amount of the expenses for such period for which it will be responsible. Within sixty (60) days after the end of the District's fiscal year, when all actual amounts are available, any differences will be reconciled by payment or other arrangements agreeable to the Districts. The District accrued revenues of \$171,883 from FB190 for the fiscal year ended June 30, 2019. \$39,904 of this amount was receivable at that date.

BIG OAKS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,077,862	\$ 1,077,862	\$ 1,241,940	\$ 164,078
Water service	440,220	440,220	413,470	(26,750)
Sewer service	743,292	743,292	697,585	(45,707)
Surface water fees	687,924	687,924	674,907	(13,017)
Services to other district	0	0	171,883	171,883
Penalty	34,116	34,116	34,578	462
Tap connection and inspection fees	0	0	14,775	14,775
Interest on deposits and investments	21,288	21,288	44,846	23,558
Other revenues	11,136	11,136	30,672	19,536
TOTAL REVENUES	3,015,838	3,015,838	3,324,656	308,818
EXPENDITURES				
Service operations:				
Purchased services	368,220	368,220	0	(368,220)
Professional fees	134,950	134,950	128,610	(6,340)
Contracted services	114,060	114,060	143,121	29,061
Utilities	10,000	10,000	93,057	83,057
Surface water fees	619,132	619,132	781,088	161,956
Repairs and maintenance	500,899	500,899	614,209	113,310
Other operating expenditures	20,364	20,364	191,250	170,886
Security services	62,274	62,274	63,577	1,303
Garbage disposal	371,500	371,500	379,057	7,557
Administrative expenditures	115,584	115,584	121,412	5,828
Capital outlay	859,940	859,940	65,686	(794,254)
TOTAL EXPENDITURES	3,176,923	3,176,923	2,581,067	(595,856)
EXCESS REVENUES (EXPENDITURES)	(161,085)	(161,085)	743,589	904,674
OTHER FINANCING SOURCES (USES)				
Reimbursement (to) from other fund	31,000	31,000	0	(31,000)
TOTAL OTHER FINANCIAL SOURCES (USES)	31,000	31,000	0	(31,000)
EXCESS SOURCES (USES)	(130,085)	(130,085)	743,589	873,674
FUND BALANCE, BEGINNING OF YEAR	2,160,029	2,160,029	2,160,029	0
FUND BALANCE, END OF YEAR	\$ 2,029,944	\$ 2,029,944	\$ 2,903,618	\$ 873,674

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JUNE 30, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in General Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

BIG OAKS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

JUNE 30, 2019

1. Services Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$15.00	8,000	N	\$1.50 1.75	8,001 to 20,000 Over 20,000
WASTEWATER:	\$28.96	25,000	N	\$1.00	Over 25,000
SURCHARGE:	\$4.40 per 1,000 gallons of water used – NFBWA surface water fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$ 18.00 Wastewater: \$28.96 Surcharge: \$44.00

BIG OAKS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JUNE 30, 2019

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	0	0	1.0	0
< or = 3/4"	2,077	2,064	1.0	2,064
1"	21	21	2.5	53
1-1/2"	7	7	5.0	35
2"	23	23	8.0	184
3"	1	1	15.0	15
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>2,129</u>	<u>2,116</u>		<u>2,351</u>
Total Wastewater	<u>2,078</u>	<u>2,065</u>	1.0	<u>2,065</u>

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited): 206,874
 Gallons billed to customers (unaudited): 158,940

Water Accountability Ratio
 (Gallons billed/ gallons pumped): 77%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

BIG OAKS MUNICIPAL UTILITY DISTRICTEXPENDITURESFOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$ 3,802	\$	\$ 10,950
Legal	66,948	3,802		70,750
Financial advisor	3,500			3,500
Engineering	47,212			47,212
	<u>128,610</u>	<u>3,802</u>	<u>0</u>	<u>132,412</u>
Contracted services:				
Bookkeeping	33,679			33,679
Operation and billing	109,442			109,442
Tax assessor-collector		27,765		27,765
Central appraisal district		20,260		20,260
	<u>143,121</u>	<u>48,025</u>	<u>0</u>	<u>191,146</u>
Utilities	<u>93,057</u>	<u>0</u>	<u>0</u>	<u>93,057</u>
Surface water fees:				
Ground water pumpage fees	179,576			179,576
Purchased surface water	601,512			601,512
	<u>781,088</u>	<u>0</u>	<u>0</u>	<u>781,088</u>
Repairs and maintenance	<u>614,209</u>	<u>0</u>	<u>0</u>	<u>614,209</u>
Other operating expenditures:				
Sludge hauling	62,105			62,105
Chemicals	59,103			59,103
Laboratory costs	56,314			56,314
Sewer inspections	4,488			4,488
Reconnection costs	3,880			3,880
TCEQ assessment	5,360			5,360
	<u>191,250</u>	<u>0</u>	<u>0</u>	<u>191,250</u>
Security service	<u>63,577</u>	<u>0</u>	<u>0</u>	<u>63,577</u>
Garbage disposal	<u>379,057</u>	<u>0</u>	<u>0</u>	<u>379,057</u>
Administrative expenditures:				
Director's fees	20,675			20,675
Office supplies and postage	57,642			57,642
Insurance	13,367	100		13,467
Permit fees	8,442			8,442
Other	21,286	5,938		27,224
	<u>121,412</u>	<u>6,038</u>	<u>0</u>	<u>127,450</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICTEXPENDITURES (Continued)FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 58,786	\$	\$ 993,780	\$ 1,052,566
Tap connection costs	6,900			6,900
	<u>65,686</u>	<u>0</u>	<u>993,780</u>	<u>1,059,466</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,505,000</u>	<u>0</u>	<u>1,505,000</u>
Interest and fees:				
Interest		556,389		556,389
Paying agent fees		3,800		3,800
	<u>0</u>	<u>560,189</u>	<u>0</u>	<u>560,189</u>
TOTAL EXPENDITURES	<u>\$ 2,581,067</u>	<u>\$ 2,123,054</u>	<u>\$ 993,780</u>	<u>\$ 5,697,901</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 2,074,708	\$ 1,856,663	\$ 8,881	\$ 3,940,252
Maintenance tax receipts		1,241,940		1,241,940
Transfer of maintenance taxes	1,240,158			1,240,158
Capacity fees received from other district			307,167	307,167
Reimbursement from other fund	135,304			135,304
Increase in customer and builder deposits	7,100			7,100
Overpayments from taxpayers		<u>8,269</u>		<u>8,269</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>3,457,270</u>	<u>3,106,872</u>	<u>316,048</u>	<u>6,880,190</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,515,341	57,410		2,572,751
Debt service		2,065,189		2,065,189
Capital outlay	65,686		1,061,438	1,127,124
Reimbursement to other fund			135,304	135,304
Transfer of maintenance taxes		1,240,158		1,240,158
Refund of taxpayer overpayments		<u>9,084</u>		<u>9,084</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,581,027</u>	<u>3,371,841</u>	<u>1,196,742</u>	<u>7,149,610</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	876,243	(264,969)	(880,694)	(269,420)
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,336,871</u>	<u>2,520,423</u>	<u>1,372,596</u>	<u>6,229,890</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 3,213,114</u>	<u>\$ 2,255,454</u>	<u>\$ 491,902</u>	<u>\$ 5,960,470</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

JUNE 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2673200001	Market	On demand	\$ 931,327	\$ 0
TexSTAR				
No. 267322222000	Market	On demand	<u>876,294</u>	<u>0</u>
			<u>\$ 1,807,621</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 0276932435	2.75%	3/21/20	\$ 101,857	\$ 806
No. 3216000434	2.50%	12/10/19	241,527	314
No. 3300035031	2.60%	5/06/20	<u>100,969</u>	<u>389</u>
			<u>\$ 444,353</u>	<u>\$ 1,509</u>
TexPool				
No. 2673200003	Market	On demand	\$ 457,796	\$ 0
TexSTAR				
No. 26733333000	Market	On demand	<u>103,517</u>	<u>0</u>
			<u>\$ 561,313</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
TexPool				
No. 2673200002	Market	On demand	\$ 46,757	\$ 0
TexSTAR				
No. 267324444000	Market	On demand	<u>50,361</u>	<u>0</u>
			<u>\$ 97,118</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,910,405</u>	<u>\$ 1,509</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 12,989	\$ 22,616
Additions and corrections to prior year taxes	<u>39</u>	<u>89</u>
Adjusted receivable, beginning of year	13,028	22,705
2018 ADJUSTED TAX ROLL	<u>1,244,403</u>	<u>1,810,040</u>
Total to be accounted for	1,257,431	1,832,745
Tax collections: Current tax year	(1,232,372)	(1,792,541)
Prior tax years	<u>(9,568)</u>	<u>(16,384)</u>
RECEIVABLE, END OF YEAR	<u>\$ 15,491</u>	<u>\$ 23,820</u>
RECEIVABLE, BY TAX YEAR		
2012	\$ 8	\$ 10
2013	111	517
2014	95	309
2015	73	215
2016	203	559
2017	2,970	4,711
2018	<u>12,031</u>	<u>17,499</u>
RECEIVABLE, END OF YEAR	<u>\$ 15,491</u>	<u>\$ 23,820</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 72,705,330	\$ 73,459,430	\$ 67,864,860	\$ 67,812,460
Improvements	311,061,430	343,728,740	324,411,510	303,412,900
Personal property	6,330,730	5,752,690	5,393,770	4,784,300
Less exemptions	<u>(13,005,934)</u>	<u>(14,867,844)</u>	<u>(17,863,088)</u>	<u>(25,622,666)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 377,091,556</u>	 <u>\$ 408,073,016</u>	 <u>\$ 379,807,052</u>	 <u>\$ 350,386,994</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.48000	\$ 0.46000	\$ 0.55000	\$ 0.59000
Maintenance tax rates*	<u>0.33000</u>	<u>0.29000</u>	<u>0.20000</u>	<u>0.20000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.81000</u>	 <u>\$ 0.75000</u>	 <u>\$ 0.75000</u>	 <u>\$ 0.79000</u>
TAX ROLLS	<u>\$ 3,054,443</u>	<u>\$ 3,060,553</u>	<u>\$ 2,848,558</u>	<u>\$ 2,768,058</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.0 %</u>	<u>99.8 %</u>	<u>99.9 %</u>	<u>99.9 %</u>

*Maximum tax rate approved by voters on October 27, 1984: Without limitation.

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
JUNE 30, 2019

Series 2007			
Due During Fiscal Years Ending June 30	Principal Due March 1	Interest Due September 1, March 1	Total
2020	\$ 100,000	\$ 8,600	\$ 108,600
2021	100,000	4,300	104,300
TOTALS	\$ 200,000	\$ 12,900	\$ 212,900

Series 2008			
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ 250,000	\$ 5,000	\$ 255,000

Series 2009			
Due During Fiscal Years Ending June 30	Principal Due March 1	Interest Due September 1, March 1	Total
2020	\$ 275,000	\$ 49,500	\$ 324,500
2021	275,000	37,124	312,124
2022	275,000	24,750	299,750
2023	275,000	12,376	287,376
TOTALS	\$ 1,100,000	\$ 123,750	\$ 1,223,750

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2019

<u>Series 2010</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 800,000	\$ 68,406	\$ 868,406
2021	280,000	44,106	324,106
2022	300,000	31,806	331,806
2023	310,000	19,606	329,606
2024	325,000	6,703	331,703
TOTALS	<u>\$ 2,015,000</u>	<u>\$ 170,627</u>	<u>\$ 2,185,627</u>

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending June 30</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 545,000	\$ 214,400	\$ 759,400
2021	550,000	192,600	742,600
2022	555,000	170,600	725,600
2023	560,000	148,400	708,400
2024	720,000	126,000	846,000
2025	725,000	97,200	822,200
2026	735,000	68,200	803,200
2027	600,000	38,800	638,800
2028	370,000	14,800	384,800
TOTALS	<u>\$ 5,360,000</u>	<u>\$ 1,071,000</u>	<u>\$ 6,431,000</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
JUNE 30, 2019

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due March 1	Interest Due September 1, March 1	Total
2020	\$ 170,000	\$ 150,246	\$ 320,246
2021	170,000	145,850	315,850
2022	265,000	141,454	406,454
2023	270,000	134,602	404,602
2024	625,000	127,620	752,620
2025	515,000	111,457	626,457
2026	505,000	98,138	603,138
2027	630,000	85,081	715,081
2028	635,000	68,789	703,789
2029	1,025,000	52,366	1,077,366
2030	1,000,000	25,860	1,025,860
TOTALS	<u>\$ 5,810,000</u>	<u>\$ 1,141,463</u>	<u>\$ 6,951,463</u>

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

JUNE 30, 2019

Due During Fiscal Years Ending June 30	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2020	\$ 2,140,000	\$ 496,152	\$ 2,636,152
2021	1,375,000	423,980	1,798,980
2022	1,395,000	368,610	1,763,610
2023	1,415,000	314,984	1,729,984
2024	1,670,000	260,323	1,930,323
2025	1,240,000	208,657	1,448,657
2026	1,240,000	166,338	1,406,338
2027	1,230,000	123,881	1,353,881
2028	1,005,000	83,589	1,088,589
2029	1,025,000	52,366	1,077,366
2030	1,000,000	25,860	1,025,860
TOTALS	\$ 14,735,000	\$ 2,524,740	\$ 17,259,740

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JUNE 30, 2019

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2007	2008	2009
Interest Rate:	4.30%	4.00%	4.50%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2020/2021	September 1, 2019	March 1, 2020/2023
Bonds Outstanding at Beginning of Current Year	\$ 250,000	\$ 490,000	\$ 1,100,000
Less Retirements	<u>(50,000)</u>	<u>(240,000)</u>	<u>0</u>
Bonds Outstanding at End of Current Year	<u>\$ 200,000</u>	<u>\$ 250,000</u>	<u>\$ 1,100,000</u>
Current Year Interest Paid	<u>\$ 10,700</u>	<u>\$ 14,800</u>	<u>\$ 49,500</u>

Bond Descriptions and Original Amount of Issue

- (1) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2007 (\$1,025,000)
- (2) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2008 (\$2,105,000)
- (3) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009 (\$4,210,000)

Paying Agent/Registrar

- (1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2010	2012	2015	
Interest Rate:	4.00% to 4.50%	4.00%	2.586%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2019/2023	March 1, 2020/2028	March 1, 2020/2030	
Bonds Outstanding at Beginning of Current Year	\$ 2,775,000	\$ 5,715,000	\$ 5,910,000	\$ 16,240,000
Less Retirements	<u>(760,000)</u>	<u>(355,000)</u>	<u>(100,000)</u>	<u>(1,505,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,015,000</u>	<u>\$ 5,360,000</u>	<u>\$ 5,810,000</u>	<u>\$ 14,735,000</u>
Current Year Interest Paid	<u>\$ 103,506</u>	<u>\$ 225,050</u>	<u>\$ 152,833</u>	<u>\$ 556,389</u>

Bond Descriptions and Original Amount of Issue

- (4) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2010 (\$7,175,000)
- (5) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2012 (\$7,350,000)
- (6) Big Oaks Municipal Utility District Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2015 (\$6,225,000)

Paying Agent/Registrar

(4) (5) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 51,050,000	\$ 0	\$ 23,250,000
Amount Issued:	45,800,000		7,840,000
Remaining to be Issued:	5,250,000		15,410,000

Net debt service fund deposits and investments balances as of June 30, 2019: \$2,249,187
Average annual debt service payment for remaining term of all debt: 1,569,068

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED JUNE 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES										
Property taxes	\$ 1,241,940	\$ 1,180,434	\$ 763,762	\$ 698,640	\$ 625,118	37.5 %	37.7 %	28.8 %	27.7 %	27.2 %
Water service	413,470	450,519	425,881	425,790	415,851	12.4	14.3	16.0	16.9	18.1
Sewer service	697,585	735,890	736,318	696,301	688,437	21.0	23.4	27.5	27.6	29.9
Surface water fees	674,907	651,793	649,848	611,753	490,647	20.3	20.7	24.3	24.3	21.4
Services to other district	171,883	28,888	0	0	0	5.2	0.9	0.0	0.0	0.0
Penalty	34,578	34,467	38,557	38,722	38,690	1.0	1.1	1.4	1.5	1.7
Tap connection and inspection fees	14,775	1,000	0	20,253	0	0.4	0.0	0.0	0.8	0.0
Interest on deposits and investments	44,846	21,807	3,586	1,637	1,264	1.3	0.7	0.1	0.1	0.1
Reconnection fees and other revenues	30,672	36,946	51,303	28,086	35,853	0.9	1.2	1.9	1.1	1.6
TOTAL REVENUES	3,324,656	3,141,744	2,669,255	2,521,182	2,295,860	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	128,610	148,495	163,967	128,758	142,947	3.9	4.7	6.1	5.1	6.2
Contracted services	143,121	141,692	129,355	128,141	117,775	4.3	4.5	4.8	5.1	5.1
Utilities	93,057	100,753	99,374	124,182	121,569	2.8	3.2	3.7	4.9	5.3
Surface water fees	781,088	707,093	636,518	626,461	550,332	23.4	22.5	24.0	24.8	24.0
Repairs and maintenance	614,209	562,262	427,636	634,091	520,835	18.4	17.9	16.0	25.2	22.8
Other operating expenditures	191,250	214,808	169,170	225,790	156,777	5.8	6.8	6.3	9.0	6.8
Security service	63,577	58,226	58,494	55,419	55,993	1.9	1.9	2.2	2.2	2.4
Garbage disposal	379,057	378,671	376,377	376,726	369,322	11.4	12.1	14.1	14.9	16.1
Administrative expenditures	121,412	114,797	122,869	107,019	133,547	3.7	3.7	4.6	4.2	5.8
Capital outlay	65,686	22,302	135,515	24,001	0	2.0	0.7	5.1	1.0	0.0
TOTAL EXPENDITURES	2,581,067	2,449,099	2,319,275	2,430,588	2,169,097	77.6	78.0	86.9	96.4	94.5
EXCESS REVENUES (EXPENDITURES)	\$ 743,589	\$ 692,645	\$ 349,980	\$ 90,594	\$ 126,763	22.4 %	22.0 %	13.1 %	3.6 %	5.5 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,116	2,099	2,116	2,111	2,108					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,065	2,048	2,068	2,060	2,061					

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED JUNE 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES										
Property taxes	\$ 1,808,925	\$ 1,887,863	\$ 2,104,632	\$ 2,063,835	\$ 2,033,080	97.5 %	97.5 %	98.0 %	98.8 %	99.1 %
Penalty and interest	20,214	30,242	35,456	21,485	15,032	1.1	1.6	1.7	1.0	0.7
Interest on deposits and investments	<u>26,327</u>	<u>17,319</u>	<u>5,816</u>	<u>4,742</u>	<u>3,954</u>	<u>1.4</u>	<u>0.9</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>
TOTAL REVENUES	<u>1,855,466</u>	<u>1,935,424</u>	<u>2,145,904</u>	<u>2,090,062</u>	<u>2,052,066</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	3,802	6,163	10,101	5,670	4,135	0.2	0.3	0.5	0.3	0.2
Contracted services	48,025	48,605	46,160	44,878	45,314	2.6	2.5	2.2	2.1	2.2
Other expenditures	6,038	5,353	3,991	3,824	3,895	0.3	0.3	0.2	0.2	0.2
Debt service:										
Principal retirement	1,505,000	1,445,000	1,400,000	1,375,000	1,275,000	81.1	74.7	65.2	65.8	62.2
Interest and fees	<u>560,189</u>	<u>615,775</u>	<u>668,211</u>	<u>703,198</u>	<u>856,453</u>	<u>30.2</u>	<u>31.8</u>	<u>31.1</u>	<u>33.6</u>	<u>41.7</u>
TOTAL EXPENDITURES	<u>2,123,054</u>	<u>2,120,896</u>	<u>2,128,463</u>	<u>2,132,570</u>	<u>2,184,797</u>	<u>114.4</u>	<u>109.6</u>	<u>99.2</u>	<u>102.0</u>	<u>106.5</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (267,588)</u>	<u>\$ (185,472)</u>	<u>\$ 17,441</u>	<u>\$ (42,508)</u>	<u>\$ (132,731)</u>	<u>(14.4) %</u>	<u>(9.6) %</u>	<u>0.8 %</u>	<u>(2.0) %</u>	<u>(6.5) %</u>

BIG OAKS MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJUNE 30, 2019

Complete District Mailing Address: Big Oaks Municipal Utility District
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: March 20, 2019

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Michael Abshire c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	\$ 4,650	\$ 2,770	President/ Investment Officer
Sonyan Stephens c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	5,150	2,603	Vice President
Jennifer Flores c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/06/17- 5/01/21	3,075	2,254	Secretary/ Investment Officer
Mark Van Dyck c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	5,700	512	Assistant Secretary
David Johnson c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/04/19- 5/06/23	2,100	433	Assistant Secretary

See accompanying independent auditor's report.

BIG OAKS MUNICIPAL UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)JUNE 30, 2019CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	1/16/08	\$ 70,750	Attorney
Myrtle Cruz, Inc. 3401 Louisiana St., Suite 400 Houston, Texas 77002	10/31/84	36,918	Bookkeeper
Municipal Operations & Consulting, Inc. 1825 North Mason Katy, Texas 77449	11/01/14	465,910	Operator
IDS Engineering Group 13333 Northwest Freeway, Suite 300 Houston, Texas 77040	12/17/98	55,125	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77079	2/13/04	30,377	Tax Assessor- Collector
Fort Bend Central Appraisal District 2801 B. F. Terry Rosenberg, Texas 77471	Legislative Action	20,260	Central Appraisal District
Masterson Advisors, LLC 3 Greenway Plaza, Suite 1100 Houston, Texas 77046	6/13/18	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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