

OFFICIAL STATEMENT DATED JUNE 23, 2020

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (HEREIN DEFINED) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" FOR A DISCUSSION ON THE OPINION OF BOND COUNSEL.

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE – BOOK-ENTRY-ONLY

Moody's Investors Service, Inc. (Underlying) "Baa3"
Moody's Investors Service, Inc. (AGM Insured) "A2"
S&P Global Ratings (AGM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

\$11,765,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
UNLIMITED TAX BONDS, SERIES 2020

Interest accrues from: July 1, 2020

Due: September 1, as shown on the inside cover

Interest on the Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds, Series 2020 (the "Bonds") will accrue from July 1, 2020, and is payable on March 1, 2021, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, in Houston, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of Fort Bend County Municipal Utility District No. 131 (the "District") and are not obligations of Fort Bend County, Texas (the "County"), the City of Alvin, Texas (the "City"), Sienna Plantation Levee Improvement District (the "SPLID"), the State of Texas ("Texas"), or any entity other than the District.

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover.

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



The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District have authorized a total of \$45,000,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System. Following the issuance of the Bonds, \$24,910,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds authorized by the District's voters for the System will remain unissued. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered by the initial purchaser of the Bonds (the "Initial Purchaser") subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about July 28, 2020.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS
\$11,765,000 Unlimited Tax Bonds, Series 2020

\$6,950,000 Serial Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP No. 34680T (b)</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (a)</u>	<u>CUSIP No. 34680T (b)</u>
2021	\$ 255,000	4.500%	0.900%	CA8	2031 (c)	\$ 375,000	2.000%	2.050%	CL4
2022	295,000	4.500%	0.950%	CB6	2032 (c)	380,000	2.000%	2.100%	CM2
2023	305,000	4.500%	1.000%	CC4	2033 (c)	390,000	2.000%	2.200%	CN0
2024	315,000	4.500%	1.100%	CD2	2034 (c)	400,000	2.000%	2.250%	CP5
2025	330,000	4.500%	1.250%	CE0	2035 (c)	410,000	2.125%	2.300%	CQ3
2026 (c)	340,000	2.000%	1.400%	CF7	2036 (c)	415,000	2.125%	2.350%	CR1
2027 (c)	350,000	2.000%	1.550%	CG5	2037 (c)	425,000	2.250%	2.400%	CS9
2028 (c)	355,000	2.000%	1.650%	CH3	2038 (c)	435,000	2.250%	2.450%	CT7
2029 (c)	360,000	2.000%	1.750%	CJ9	2039 (c)	445,000	2.375%	2.500%	CU4
2030 (c)	370,000	2.000%	1.900%	CK6					

\$4,815,000 Term Bonds

\$1,275,000 Term Bond due September 1, 2041 (c)(d) Interest Rate 2.375% (Price: \$96.363) (a) CUSIP No. 34680T CW0 (b)

\$3,540,000 Term Bond due September 1, 2045 (c)(d) Interest Rate 2.500% (Price: \$98.164) (a) CUSIP No. 34680T DA7 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchases. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, the Initial Purchaser may designate one or more maturities as term bonds. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under the caption "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, for further information.

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

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

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APPENDIX A - Financial Statements of the District

APPENDIX B – Specimen Municipal Bond Insurance Policy

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.248999% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 2.564827%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix 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 international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 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 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.

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, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders’ surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$997 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 \$1,997 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 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, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

RATINGS

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the Policy at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols “AAA” (the highest rating) through “D” (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The Bonds are expected to receive an insured rating of “A2” from Moody’s solely in reliance upon the issuance of the Policy at the time of delivery of the Bonds. Moody’s has also assigned an underlying credit rating of “Baa3” to the Bonds. An explanation of the ratings may be obtained from Moody’s, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by Moody’s, 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.

The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P, the insured rating of Moody's, or the underlying rating of Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District.....	Fort Bend County Municipal Utility District No. 131 (the “District”), a political subdivision of the State of Texas (“Texas”), is located in Fort Bend County, Texas (the “County”). See “THE DISTRICT - General” and “- Description.”
The Bonds.....	The \$11,765,000 Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds, Series 2020 (the “Bonds”), are dated July 1, 2020, and mature on September 1 in the years and amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds accrues from July 1, 2020, and is payable on March 1, 2021, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”
Redemption Provisions	<p>The Bonds maturing on or after September 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2025, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – <i>Optional Redemption</i>.”</p> <p>The Bonds that mature on September 1 in the years 2041 and 2045 are term bonds that are also subject to mandatory redemption provisions set out herein under “THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>.”</p>
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem property tax levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District, and are not obligations of Texas, the County, the City of Alvin, Texas (the “City”), the Sienna Plantation Levee Improvement District (the “SPLID”), or any entity other than the District. See “THE BONDS - Source of Payment.”
Authority for Issuance.....	The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the “System”) to serve the District. Voters in the District have authorized a total of \$45,000,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System. Following the issuance of the Bonds, \$24,910,000 principal amount of unlimited tax bonds and \$67,500,000 in principal amount of unlimited tax refunding bonds authorized by the District’s voters for the System will remain unissued. The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing, direct annual ad valorem property tax, without legal limitation as to rate or amount,

levied against all taxable property within the District. See “THE BONDS – Source of Payment.”

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”); the order of the District’s Board of Directors (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”); an election held on September 14, 2002; and Article XVI, Section 59 of the Texas Constitution and the general laws of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

Outstanding Bonds	The District has previously issued its \$2,395,000 Unlimited Tax Bonds, Series 2015 and \$5,930,000 Unlimited Tax Bonds, Series 2019. As of March 31, 2020, \$7,940,000 principal amount of the above-referenced bonds issued by the District remains outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”
Use of Proceeds	Proceeds of the Bonds will be used to reimburse the Developers (herein defined) for the following costs (i) the construction of water, wastewater and storm drainage facilities for Southern Colony, Sections 3A, 3B, 4A, 4B, 4C and 5; (ii) the construction of Lift Station No. 2 and Force Main; (iii) Southern Colony Wastewater Treatment Plant Phase II and Phase III Expansion; (iv) Southern Colony Water Plant Expansion Phase II; and (v) partial repayment of the Agreed Final Judgement. In addition, proceeds from the Bonds will be used to pay for Developer interest and certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Not Qualified Tax Exempt Obligations For Financial Institutions	The Bonds have NOT been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations For Financial Institutions.”
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P Global Ratings (AGM Insured): “AA.” Moody’s Investors Service, Inc. (AGM Insured): “A2.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “RATINGS.”
Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co., Incorporated, Houston, Texas.
Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas.
District Engineer.....	LJA Engineering, Inc., Houston, Texas.

THE DISTRICT

The Issuer	The District was created by order of the Texas Natural Resource Conservation Commission, predecessor to the TCEQ dated March 11, 2002. The District contains approximately 276.49 acres of land, is located entirely within the County, and entirely within the extraterritorial jurisdiction (the “ETJ”) of the City. See “THE DISTRICT – General.”
Location	The District is located in the southeast of the County, approximately 22 miles southwest of downtown Houston. The District is

approximately two miles south of the intersection of Texas State Highway 6 and FM 521. The District is bordered by FM 521 on the west, which provides direct access for residents. All of the property is within Fort Bend County Independent School District, and the SPLID, and lies within the ETJ of the City.

The Developers.....

The active developers and homebuilders in the District are Élan Development, L.P. (“Élan”), D.R. Horton-Texas, Ltd., a Texas limited partnership (“DR Horton”), which is controlled by D.R. Horton Inc. (“DHI”), a Delaware corporation and a publicly traded corporation, and Forestar (USA) Real Estate Group, Inc., a publicly traded company that is wholly-owned by Forestar Group Inc. (collectively, “Forestar”), a publicly traded company that is a majority-owned subsidiary of DHI. Élan, DHI and Forestar are collectively referred to as “the Developers.” Élan currently owns approximately 2.63 acres reserved for commercial use in the District; DR Horton currently owns approximately 406 developed lots, of which 52 are vacant developed lots, in the District; and Forestar currently owns approximately 10 vacant developed lots in the District. See “THE DEVELOPERS – The Developers.”

Development within the District.....

Land within the District has been developed as the single-family subdivision of Southern Colony, Sections 1, 2A, 2B, 3A, 3B, 4A, 4B, 4C and 5 (aggregating approximately 266.36 acres and 1,036 single-family lots). As of April 1, 2020, the District consisted of 927 completed homes, 49 homes under construction and 60 vacant developed lots. In addition, as of March 1, 2020, the District consisted of 778 occupied homes and 10 unoccupied homes. Additionally, the remaining acreage in the District consists of approximately 8.2 acres reserved for commercial use, approximately 0 acres of undeveloped but developable land, and approximately 1.93 acres of undevelopable land. See “DEVELOPMENT WITHIN THE DISTRICT.”

Overlapping Districts and Taxes.....

The SPLID is the levee improvement district created to provide the levee, detention ponds, external and interior drainage channels and outfall facilities necessary to serve the Sienna Plantation development (“Sienna Plantation”) and some additional land adjacent to Sienna Plantation, including the District. Approximately 9,555 acres, including Sienna Plantation and the entire District, is located within the SPLID. The SPLID will finance facilities to accomplish flood protection within the SPLID, excluding the District, and accommodate storm water drainage within the SPLID, including the District. The SPLID currently levies a tax on property located within its boundaries, including the District, which tax is in addition to the tax levied by the District. The SPLID levied a total tax of \$0.45 per \$100 of assessed valuation for the 2019 tax year. As of March 31, 2020, the SPLID has \$127,445,000 principal amount of bonds outstanding.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2019 Certified Assessed Valuation.....	\$ 109,608,780	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
2020 Preliminary Assessed Valuation.....	\$ 169,843,605	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Valuation as of May 1, 2020.....	\$ 206,533,261	(c)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds.....	\$ 7,940,000	
The Bonds.....	<u>\$ 11,765,000</u>	
Total.....	\$ 19,705,000	
Estimated Overlapping Debt.....	<u>\$ 7,355,715</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 27,060,715	(d)
Direct Debt Ratio to:		
2019 Certified Assessed Valuation.....	17.98	%
2020 Preliminary Assessed Valuation.....	11.60	%
Estimated Valuation as of May 1, 2020.....	9.54	%
Direct and Estimated		
Overlapping Debt Ratio:		
2019 Certified Assessed Valuation.....	24.69	%
2020 Preliminary Assessed Valuation.....	15.93	%
Estimated Valuation as of May 1, 2020.....	13.10	%
Debt Service Fund Balance (as of June 23, 2020).....	\$ 523,525	(e)
General Fund Balance (as of June 23, 2020).....	\$ 3,177,153	
Construction Fund Balance (as of June 23, 2020).....	\$ 1,398,581	
2019 Tax Rate		
Debt Service.....	\$ 0.43	
Maintenance & Operation.....	\$ 0.62	
SPLID.....	<u>\$ 0.45</u>	(f)
Total.....	\$ 1.50	
Average Annual Debt Service Requirements		
of the Bonds and the Outstanding Bonds (2020-2045).....	\$ 1,077,498	(g)
Maximum Annual Debt Service Requirement		
of the Bonds and the Outstanding Bonds (2045).....	\$ 1,142,875	(g)
Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2020-2045) at 95% Tax Collections:		
Based Upon the 2019 Certified Assessed Valuation.....	\$ 1.04	
Based Upon the 2020 Preliminary Assessed Valuation.....	\$ 0.67	
Based Upon the Estimated Valuation as of May 1, 2020.....	\$ 0.55	
Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2045) at 95% Tax Collections:		
Based Upon the 2019 Certified Assessed Valuation.....	\$ 1.10	
Based Upon the 2020 Preliminary Assessed Valuation.....	\$ 0.71	
Based Upon the Estimated Valuation as of May 1, 2020.....	\$ 0.59	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2019, provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2020, provided by the Appraisal District. This preliminary valuation is subject to protest by the owners of taxable property in the District. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2020, and includes an estimate of additional taxable value resulting from the construction of taxable

improvements from January 1, 2019 through May 1, 2020. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

- (d) See "DISTRICT DEBT - Direct and Estimated Overlapping Debt Statement."
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (f) The District is located within the boundaries of the SPLID and is subject to taxation by the SPLID. The SPLID levied a debt service tax of \$0.31 per \$100 of assessed valuation and a maintenance tax of \$0.14 per \$100 of assessed valuation. Thus, the combined tax rate of the SPLID and the District is \$1.50 per \$100 of assessed valuation.
- (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT - Debt Service Requirements."

Official Statement

relating to

\$11,765,000

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

Unlimited Tax Bonds, Series 2020

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 131 (the "District") of its \$11,765,000 Unlimited Tax Bonds, Series 2020 (the "Bonds").

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

The Bonds will bear interest from July 1, 2020, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be paid on March 1, 2021, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or earlier redemption and will be calculated on the basis of a 360 day year comprised of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in the principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2026, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the registered owner (the "Registered Owner(s)") of each Bond to be redeemed in whole or in part

at the address shown on the bond register. If less than all of 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 Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds that mature on September 1 in the years 2041 and 2045 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or by other customary method of random selection prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

\$1,275,000 Term Bonds Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$630,000
September 1, 2041 (Maturity)	645,000

\$3,540,000 Term Bonds Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$660,000
September 1, 2043	680,000
September 1, 2044	1,085,000
September 1, 2045 (Maturity)	1,115,000

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning

fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Record Date for Interest Payment

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of Texas, Fort Bend County, Texas (the "County"), the City of Alvin, Texas (the "City"), the Sienna Plantation Levee Improvement District (the "SPLID"), or any other political subdivision or any entity other than the District.

Payment Record

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

Authority for Issuance

The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System"). Voters in the District have authorized a total of \$45,000,000 principal amount of bonds and \$67,500,000 principal amount of refunding bonds for the System.

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

Outstanding Bonds

The District has previously issued its \$2,395,000 Unlimited Tax Bonds, Series 2015, and \$5,930,000 Unlimited Tax Bonds, Series 2019. As of March 31, 2020, \$7,940,000 principal amount of the above-referenced bonds issued by the District remains outstanding (the "Outstanding Bonds").

Issuance of Additional Debt

Following the issuance of the Bonds, \$24,910,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds for the System will remain authorized and unissued. The District may issue additional authorized bonds and voters may authorize additional bonds in the future.

Following the issuance of the Bonds, the Developers (herein defined) will be fully reimbursed for District projects, the funds for which were advanced by the Developers.

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

Registered Owners' Remedies

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of 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, an agency, or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less

than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Participants (herein defined), (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (herein defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an

authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used to reimburse the Developers for the following costs (i) the construction of water, wastewater and storm drainage facilities for Southern Colony, Sections 3A, 3B, 4A, 4B, 4C and 5; (ii) the construction of Lift Station No. 2 and Force Main; (iii) Southern Colony Wastewater Treatment Plant Phase II and Phase III Expansion; (iv) Southern Colony Water Plant Expansion Phase II; and (v) partial repayment of the Agreed Final Judgement (herein defined). In addition, proceeds from the Bonds will be used to pay for Developer Interest and certain costs associated with the issuance of the Bonds.

CONSTRUCTION COSTS

A. Developer Contribution Items	
1. Southern Colony, Section 3A - W, WW & D	\$ 261,648
2. Southern Colony, Section 3B - W, WW & D	1,263,514
3. Southern Colony, Section 4A - W, WW & D	1,571,147
4. Southern Colony, Section 4B - W, WW & D	1,156,842
5. Southern Colony, Section 4C - W, WW & D	1,490,999
6. Southern Colony, Section 5 - W, WW & D	161,552
7. Lift Station No. 2 and Force Main	585,070
8. Engineering for Items No. 2-7	810,303
9. Geotech Testing for Items No. 2-7	167,256
10. SWPP Planning for Items No. 2-6 (a)	<u>156,027</u>
Total Developer Contribution Items	\$ 7,624,358
B. District Items	
1. Southern Colony Water Plant Expansion Phase II	\$ 523,150
2. WWTP Phase II Expansion	309,055
3. WWTP Phase III Expansion	361,657
4. Contingencies for Item No. 3	36,166
5. Engineering for Items No. 1 & 3	85,851
6. Geotech Testing for Items No. 1-3	21,097
7. SWPP Planning for Items No. 1 & 3	5,500
8. Agreed Final Judgement	1,155,000
9. Land Acquisition Costs for Lift Station No. 2 Site	<u>5,050</u>
Total District Items	<u>\$ 2,502,526</u>
Total Construction Costs	\$ 10,126,884

NON-CONSTRUCTION COSTS

A. Legal Fees	\$ 304,125
B. Financial Advisor Fees	235,300
C. Developer Interest	610,436
D. Bond Discount	323,655
E. Bond Issuance Expenses	51,392
F. Bond Application Report	45,000
G. Attorney General Fee	9,500
H. TCEQ Bond Issuance Fee	29,413
I. Contingency (b)	<u>29,295</u>
Total Non-Construction Costs	\$ 1,638,116
TOTAL BOND ISSUE REQUIREMENT	\$ 11,765,000

(a) SWPP means Storm Water Pollution Prevention.

(b) Represents the difference between the estimated and actual amounts of Bond Discount.

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

Agreed Final Judgment

The District filed a bond application report with the TCEQ in July of 2006, seeking approval from TCEQ for the issuance of its first series of bonds in the amount of \$3,000,000. Subsequent to the filing of the bond application and in accordance with Section 49.154, Texas Water Code, as amended, the District issued its \$1,779,510 Bond Anticipation Note, Series 2006 (the "2006 BAN") payable to the order of Frost Bank. Shortly after the issuance of the 2006 BAN, there was a severe downturn in the housing market in the Houston metropolitan area, resulting in the District's developer at the time, Trophy Homes, a division of Newmark Homes, L.P. ("Trophy Homes"), being unable to market and sell additional homes in the District. Consequently, the TCEQ returned the District's bond application without prejudice, finding that the issuance of bonds would result in the District failing certain financial feasibility requirements set forth in TCEQ rules. Because the District failed to obtain approval from TCEQ to issue the necessary bonds for repayment, the 2006 BAN was not repaid at maturity. The District subsequently issued three refunding bond anticipation notes (collectively the "Refunding BAN"), payable to Frost Bank, for the purpose of retiring the Series 2006 BAN. In July, 2011, Frost Bank filed a Writ of Mandamus against the District requesting that the District comply with the terms set forth in the Refunding BAN and issue bonds in an amount sufficient to pay the principal and interest due on the Refunding BAN. Frost Bank and the District later filed a Joint Motion for Entry of Agreed Final Judgment pursuant to which a Writ of Mandamus was issued directing that at such time as there was sufficient growth in taxable value in the District to pay to Frost Bank \$2,415,590.00 from the proceeds of the issuance of unlimited tax bonds to retire the Refunding BAN, the District would file a bond application and request TCEQ approval of such bond issue. Such Agreed Final Judgment was entered into on October 31, 2011 (the "Agreed Final Judgment"). Subsequent to the Agreed Final Judgment (a) Trophy Homes sold all of its property in the District to Élan and (b) Élan purchased the Refunding BAN and the right to receive any and all payments made pursuant to the Agreed Final Judgment from Frost Bank. A portion of the proceeds of the District's \$2,395,000 Unlimited Tax Bonds, Series 2015, was used to make a partial payment to Élan in the amount of \$1,190,000 towards the total amount owed to Élan by the District under the Agreed Final Judgment. Élan subsequently sold to D.R. Horton - Texas, Ltd. the remaining amount due to Élan of \$1,225,590 under the Agreed Final Judgment. A portion of the proceeds of the Bonds will be used to make a partial payment to D.R. Horton - Texas, Ltd. in the amount of \$1,155,000 towards the total amount owed by the District under the Agreed Final Judgment.

THE DISTRICT

General

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

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

Description

The District encompasses approximately 276.49 acres of land, is located entirely within the County and entirely within the extraterritorial jurisdiction (“ETJ”) of the City.

Location

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

Management of the District

- Board of Directors -

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Jennifer Jacobs	President	2022
Leslie Smith-Boards	Vice President	2022
Risha Miller	Secretary	2022
Joann Randall	Assistant Secretary	2024
Michael Higgins	Assistant Secretary	2024

- Consultants -

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

Bookkeeper - The District contracts Protocol Bookkeeping, Inc. as bookkeeper for the District.

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

Auditor - The District employed McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial records for the fiscal year ended July 31, 2019, which have been included as “APPENDIX A”.

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

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

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

Disclosure Counsel – Orrick Herrington & Sutcliffe LLP, Houston, Texas has been designated as disclosure counsel (“Disclosure Counsel”). The fees of Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

THE DEVELOPERS

The Role of a Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developers, nor any of their affiliate entities, are obligated to pay the principal of or interest on the Bonds. Furthermore, neither the Developers, nor any of their affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers or their affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

The Developers

The active developers in the District are Élan Development, L.P. ("Élan"), D.R. Horton-Texas, Ltd., a Texas limited partnership ("DR Horton"), which is controlled by D.R. Horton Inc. ("DHI"), a Delaware corporation and a publicly traded corporation, and Forestar (USA) Real Estate Group, Inc., a publicly traded company that is wholly-owned by Forestar Group Inc. (collectively, "Forestar"), a publicly traded company that is a majority-owned subsidiary of DHI. Élan, DHI and Forestar are collectively referred to as "the Developers." Élan currently owns approximately 2.63 acres reserved for commercial use in the District; DR Horton currently owns approximately 406 developed lots, of which 52 are vacant developed lots, in the District; and Forestar currently owns approximately 10 vacant developed lots in the District.

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DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Land within the District has been developed as the single-family subdivision of Southern Colony, Sections 1, 2A, 2B, 3A, 3B, 4A, 4B, 4C and 5 (aggregating approximately 266.36 acres and 1,036 single-family lots). As of April 1, 2020, the District consisted of 927 completed homes, 49 homes under construction and 60 vacant developed lots. In addition, as of March 1, 2020, the District consisted of 778 occupied homes and 10 unoccupied homes. Additionally, the remaining acreage in the District consists of approximately 8.2 acres reserved for commercial use, approximately 0 acres of undeveloped but developable land, and approximately 1.93 acres of undevelopable land.

The following table displays the status of development within the District as of April 1, 2020:

<u>Section</u>	<u>Acreage (b)</u>	<u>No. of Lots</u>	<u>Homes Completed</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Southern Colony, Section 1	106.55	271	271	0	0
Southern Colony, Section 2A	16.77	92	92	0	0
Southern Colony, Section 2B	13.96	76	76	0	0
Southern Colony, Section 3A	9.78	46	46	0	0
Southern Colony, Section 3B	25.71	135	135	0	0
Southern Colony, Section 4A	29.97	148	148	0	0
Southern Colony, Section 4B (a)	28.31	118	118	0	0
Southern Colony, Section 4C (a)	32.71	142	41	49	52
Southern Colony, Section 5 (a)	2.59	8	0	0	8
Total	266.36	1,036	927	49	60
Commercial Reserves	8.2				
Undeveloped but developable	0				
Undevelopable	1.93				
Total District Acreage	276.49				

(a) Currently under development.

(b) Totals may not sum due to rounding.

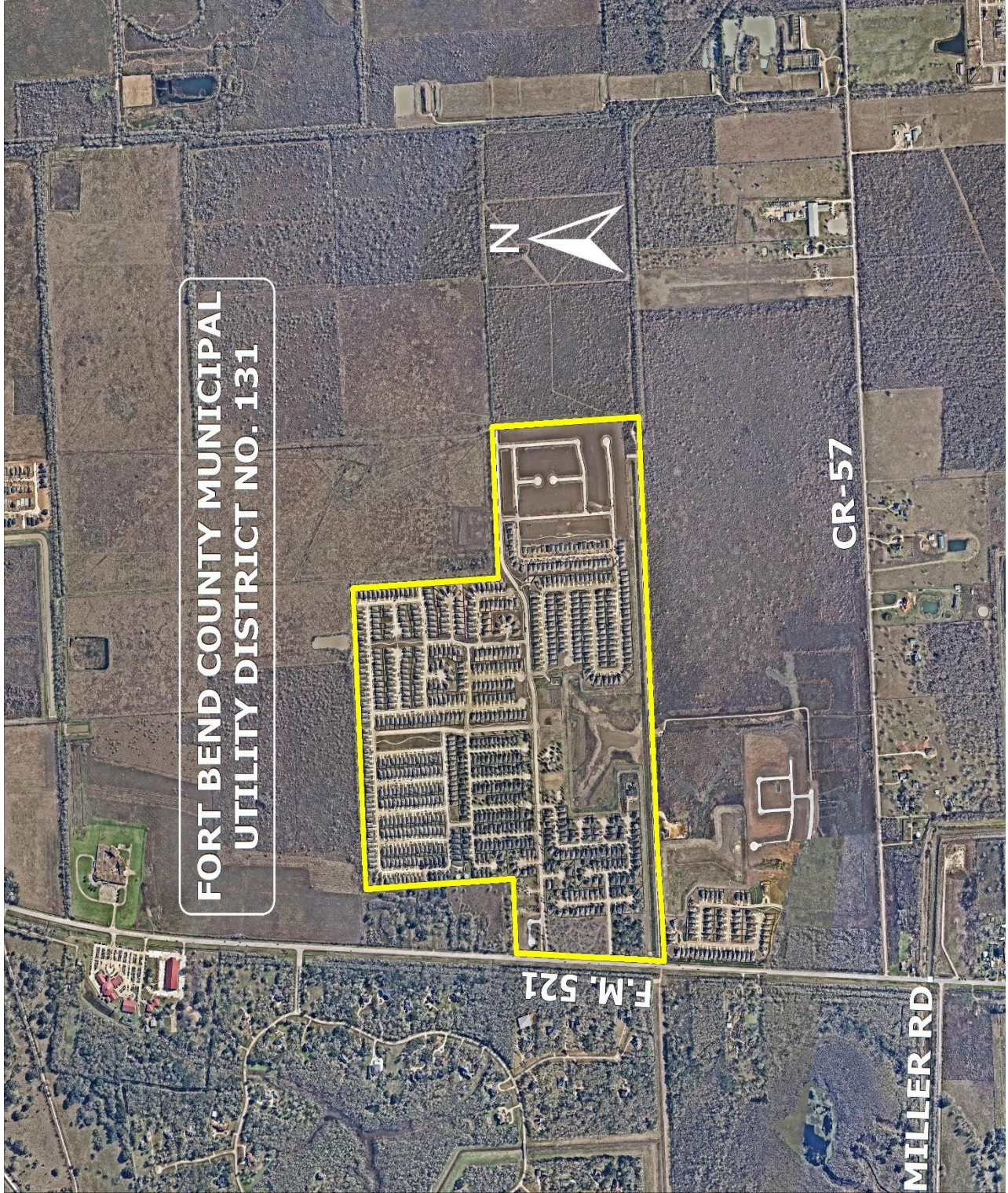
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PHOTOGRAPHS WITHIN THE DISTRICT

(April 2020)



AERIAL PHOTOGRAPH OF THE DISTRICT
(April 2020)



TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.25 per \$100 of assessed valuation for operation and maintenance purposes. For the 2019 tax year, the Board levied a total tax rate of \$1.05 per \$100 of assessed valuation composed of: \$0.43 per \$100 of assessed valuation for debt service and \$0.62 per \$100 of assessed valuation for maintenance and operation purposes.

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal and interest on the Bonds. The District levied its first debt service tax in 2015. For the 2019 tax year, the Board levied a tax rate of \$0.43 per \$100 of assessed valuation for debt service.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operations of the District's improvements, if such maintenance and operations tax is authorized by vote of the District's electors. On September 14, 2002, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed \$1.25 per \$100 assessed valuation. For the 2019 tax year, the District levied a tax rate of \$0.62 per \$100 of assessed valuation for maintenance and operations purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

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

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2014–2019 tax years:

Tax Year	Assessed Valuation	Tax Rate/ \$100 of Assessed Valuation (a)	Adjusted Levy	% of Collections Current Year	Tax Year Ending 9/30	% Collections as of 02/29/20
2014	\$ 33,201,763	1.010000	\$ 335,338	98.86	2015	99.25
2015	38,141,110	1.010000	385,225	97.74	2016	99.29
2016	41,388,568	1.030000	426,302	97.64	2017	99.28
2017	43,988,879	1.050000	461,883	99.28	2018	99.30
2018	65,288,714	1.050000	685,531	98.90	2019	99.24
2019	109,608,780	1.050000	1,150,892	96.72 (b)	2020	96.72 (b)

(a) See "Tax Rate Distribution" below.

(b) In the process of collection.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.430	\$ 0.860	\$ 0.280	\$ 0.390	\$ 0.415
Maintenance	<u>0.620</u>	<u>0.190</u>	<u>0.770</u>	<u>0.640</u>	<u>0.595</u>
Total	<u>\$ 1.050</u>	<u>\$ 1.050</u>	<u>\$ 1.050</u>	<u>\$ 1.030</u>	<u>\$ 1.010</u>

Analysis of Tax Base

The following table illustrates the District's total assessed value in the tax years 2015-2019 by type of property.

Type of Property	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation	2016 Assessed Valuation	2015 Assessed Valuation
Land	\$ 21,423,610	\$ 14,796,350	\$ 11,946,280	\$ 10,219,490	\$ 10,216,940
Improvements	90,036,720	51,883,660	32,858,890	31,849,660	28,525,870
Personal Property	540,050	344,680	235,900	202,850	187,160
Exemption	<u>(2,391,600)</u>	<u>(1,735,976)</u>	<u>(1,052,191)</u>	<u>(883,432)</u>	<u>(788,860)</u>
Total	\$109,608,780	\$ 65,288,714	\$ 43,988,879	\$ 41,388,568	\$ 38,141,110

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Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2019:

Taxpayer	Type of Property	Assessed Valuation 2019 Tax Roll
Forestar (USA) Real Estate Group Inc. (a)	Land	\$ 847,370
DR Horton –Texas Ltd.	Land, Improvements & Personal Property	719,150
Progress Residential 2014 – 1 Texas Borrower LLC	Land & Improvements	538,030
Centerpoint Energy Electric	Land & Improvements	446,600
Fornaca Family Trust	Land & Improvements	428,320
Homeowner	Land & Improvements	388,740
AMH 2014-1 Borrower LLC	Land & Improvements	379,380
Homeowner	Land & Improvements	339,620
American Homes 4 Rent Properties Eight LLC	Land & Improvements	306,830
Homeowner	Land & Improvements	<u>269,790</u>
Total		\$4,663,830
% of Respective Tax Roll		4.25%

(a) See “The Developers.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2019 Assessed Valuation (\$109,608,780), the 2020 Preliminary Assessed Valuation (\$169,843,605), and the Estimated Valuation as of May 1, 2020 (\$206,533,261). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements (2020-2045).....	\$ 1,077,498
Tax Rate of \$1.04 on the 2019 Assessed Valuation produces	\$ 1,082,935
Tax Rate of \$0.67 on the 2020 Preliminary Assessed Valuation produces	\$ 1,081,055
Tax Rate of \$0.55 on the Estimated Valuation as of May 1, 2020 produces.....	\$ 1,079,136
 Maximum Annual Debt Service Requirements (2045)	 \$ 1,142,875
Tax Rate of \$1.10 on the 2019 Assessed Valuation produces	\$ 1,145,412
Tax Rate of \$0.71 on the 2020 Preliminary Assessed Valuation produces	\$ 1,145,595
Tax Rate of \$0.59 on the Estimated Valuation as of May 1, 2020 produces.....	\$ 1,157,619

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Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2019 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see “TAX DATA – Debt Service Tax”). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions. All the land located within the District lies within the SPLID.

<u>Taxing Jurisdiction</u>	<u>2019 Tax Rate Per \$100 of Assessed Value</u>
The District	\$ 1.05000
Fort Bend County	0.46000 (a)
Fort Bend Independent School District	1.27000
Sienna Plantation Levee Improvement District	<u>0.45000</u>
Total 2019 Overlapping Tax Rate for the District	\$ 3.23000

(a) Includes \$0.01530 for Fort Bend County Drainage District.

THE SYSTEM

General

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

Description of the System

- Water Supply and Distribution -

The District currently operates and supplies all water service from Water Plant No. 1 and its remote water well. Water Plant No. 1 currently consists of an onsite well with a capacity of 475 gallons per minute (gpm), a remote water well with a capacity of 750 gpm, two (2) 15,000 gallon hydro-pneumatic tanks, 636,000 gallons of ground storage tank capacity, and 3,200 gpm in booster pump capacity. The District currently has the capacity to serve 1,600 equivalent single family connections (“ESFCs”).

The District is within the boundaries of the Fort Bend Subsidence District (“FBSD”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the FBSD. On September 24, 2003, the FBSD issued a Regulatory Plan, as amended and issued as that certain 2013 Regulatory Plan dated August 28, 2013 (the “Plan”), to reduce groundwater withdrawal through conversion to surface water or other alternative water sources in certain areas with the FBSD’s jurisdiction. Under the Plan, the District was required to have a groundwater reduction plan (“GRP”) approved by the FBSD by the beginning date of the District’s permit term in 2008, or pay a disincentive fee for any groundwater withdrawn in excess of 40% of the District’s total water demand. Additional disincentive fees would be imposed under the Plan if the District’s withdrawal exceeds 70% of the total water demand beginning in January 2014, and if it exceeds 40% of the total water demand beginning in January 2025.

- Wastewater Treatment and Conveyance System -

Wastewater treatment for the District is currently provided by a package wastewater treatment plant located within the District ("WWTP") leased from AUC Group, L.P. An expansion of the WWTP ("Phase II Expansion") was completed in July 2019 and raised the current capacity of the WWTP to 400,000 gpd, which is sufficient to serve 1,270 ESFCs. Pursuant to an agreement between the District and AUC Group, L.P., the District leases a current capacity of 315,000 gpd, which is sufficient to serve the 1,000 ESFCs within the District.

In addition, the District has entered into an agreement, the "First Amended and Restated Wastewater Treatment Facilities Agreement," dated November 15, 2019, with Brazoria-Fort Bend Counties Municipal Utility District No. 3 ("BFBCMUD 3") and Fort Bend County Municipal Utility District No. 189 ("FBMUD 189"), whereby the WWTP will be expanded to 640,000 gpd ("Phase III Expansion"), of which 240,000 gpd will be allotted to the District. Following the completion of the Phase III Expansion, the District's capacity will be sufficient to serve 1,173 ESFCs.

- Flood Protection and Drainage Facilities -

The District is located entirely within the SPLID. The SPLID is responsible for retention and outfall drainage for the District. However, the District is not located within the SPLID's levee system but is located outside of the Brazos River 100-year floodplain.

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

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DISTRICT DEBT

General

2019 Certified Assessed Valuation.....	\$ 109,608,780	(a)
See "TAX DATA" and "TAXING PROCEDURES."		
2020 Preliminary Assessed Valuation.....	\$ 169,843,605	(b)
See "TAX DATA" and "TAXING PROCEDURES."		
Estimated Valuation as of May 1, 2020.....	\$ 206,533,261	(c)
See "TAX DATA" and "TAXING PROCEDURES."		
Direct Debt:		
Outstanding Bonds.....	\$ 7,940,000	
The Bonds.....	<u>\$ 11,765,000</u>	
Total.....	\$ 19,705,000	
Estimated Overlapping Debt.....	<u>\$ 7,355,715</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 27,060,715	(d)
Direct Debt Ratio to:		
2019 Certified Assessed Valuation.....	17.98	%
2020 Preliminary Assessed Valuation.....	11.60	%
Estimated Valuation as of May 1, 2020.....	9.54	%
Direct and Estimated		
Overlapping Debt Ratio:		
2019 Certified Assessed Valuation.....	24.69	%
2020 Preliminary Assessed Valuation.....	15.93	%
Estimated Valuation as of May 1, 2020.....	13.10	%
Debt Service Fund Balance (as of June 23, 2020).....		
General Fund Balance (as of June 23, 2020).....	\$ 523,525	(e)
Construction Fund Balance (as of June 23, 2020)	\$ 3,117,153	
	\$ 1,398,581	
2019 Tax Rate		
Debt Service.....	\$ 0.43	
Maintenance & Operation.....	\$ 0.62	
SPLID.....	<u>\$ 0.45</u>	(f)
Total.....	\$ 1.50	
Average Annual Debt Service Requirements		
of the Bonds and the Outstanding Bonds (2020-2045).....	\$ 1,077,498	(g)
Maximum Annual Debt Service Requirement		
of the Bonds and the Outstanding Bonds (2045).....	\$ 1,142,875	(g)
Tax Rate per \$100 of Assessed Valuation Required to the Pay Average Annual		
Debt Service Requirements of the Bonds and the Outstanding Bonds		
(2020-2045) at 95% Tax Collections:		
Based Upon the 2019 Certified Assessed Valuation.....	\$ 1.04	
Based Upon the 2020 Preliminary Assessed Valuation.....	\$ 0.67	
Based Upon the Estimated Valuation as of May 1, 2020.....	\$ 0.55	
Tax Rate per \$100 of Assessed Valuation Required to Pay the		
Maximum Annual Debt Service Requirement of the Bonds and the		
Outstanding Bonds (2045) at 95% Tax Collections:		
Based Upon the 2019 Certified Assessed Valuation.....	\$ 1.10	
Based Upon the 2020 Preliminary Assessed Valuation.....	\$ 0.71	
Based Upon the Estimated Valuation as of May 1, 2020.....	\$ 0.59	

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2019, provided by the Appraisal District (herein defined). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary determination of the assessed valuation of all taxable property within the District as of January 1, 2020, provided by the Appraisal District. This preliminary valuation is subject to protest by the owners of taxable property in the District. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property

located within the District as of May 1, 2020, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2019 through May 1, 2020. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

- (d) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund.
- (f) The District is located within the boundaries of the SPLID, and is subject to taxation by the SPLID. The SPLID levied a debt service tax of \$0.31 per \$100 of assessed valuation and a maintenance tax of \$0.14 per \$100 of assessed valuation. Thus, the combined tax rate of the SPLID and the District is \$1.50 per \$100 of assessed valuation.
- (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Debt Service Requirements

The following sets forth the principal and interest requirements on the Outstanding Bonds, as well as the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year Ending 12/31	Outstanding Debt Service	The Bonds		Total Debt Service	Total New Debt Service
		Principal	Interest		
2020	\$ 360,395	-	-	-	\$ 360,395
2021	510,885	\$ 255,000	\$ 350,153	\$ 605,153	1,116,038
2022	510,275	295,000	288,656	583,656	1,093,931
2023	509,025	305,000	275,381	580,381	1,089,406
2024	507,185	315,000	261,656	576,656	1,083,841
2025	504,585	330,000	247,481	577,481	1,082,066
2026	502,410	340,000	232,631	572,631	1,075,041
2027	504,698	350,000	225,831	575,831	1,080,529
2028	510,910	355,000	218,831	573,831	1,084,741
2029	511,535	360,000	211,731	571,731	1,083,266
2030	516,710	370,000	204,531	574,531	1,091,241
2031	521,300	375,000	197,131	572,131	1,093,431
2032	525,381	380,000	189,631	569,631	1,095,013
2033	528,538	390,000	182,031	572,031	1,100,569
2034	530,731	400,000	174,231	574,231	1,104,963
2035	532,088	410,000	166,231	576,231	1,108,319
2036	537,413	415,000	157,519	572,519	1,109,931
2037	541,988	425,000	148,700	573,700	1,115,688
2038	545,838	435,000	139,138	574,138	1,119,975
2039	548,938	445,000	129,350	574,350	1,123,288
2040	376,313	630,000	118,781	748,781	1,125,094
2041	379,938	645,000	103,819	748,819	1,128,756
2042	382,188	660,000	88,500	748,500	1,130,688
2043	383,875	680,000	72,000	752,000	1,135,875
2044	-	1,085,000	55,000	1,140,000	1,140,000
2045	-	1,115,000	27,875	1,142,875	1,142,875
	<u>\$ 11,783,138</u>	<u>\$ 11,765,000</u>	<u>\$ 4,466,822</u>	<u>\$ 16,231,822</u>	<u>\$ 28,014,959</u>

Average Annual Debt Service Requirement (2020–2045) \$1,077,498
 Maximum Annual Debt Service Requirement (2045) \$1,142,875

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Debt as of March 31, 2020	Estimated Overlapping Debt	
		Percent	Amount
Fort Bend County	\$ 559,527,527	0.15%	\$ 860,510
FBISD	1,079,958,767	0.26%	2,790,295
SPLID	127,445,000	2.91%	<u>3,704,910</u>
Total Estimated Overlapping Debt			\$ 7,355,715
The District			<u>\$ 19,705,000</u> (a)
Total Direct & Estimated Overlapping Debt			<u>\$ 27,060,715</u> (a)

(a) Includes the Bonds.

Debt Ratios

	% of 2019 Assessed Valuation	% of 2020 Preliminary Assessed Valuation	% of Estimated Valuation as of May 1, 2020
Direct Debt (a)	17.98%	11.60%	9.54%
Direct and Estimated Overlapping Debt (a)	24.69%	15.93%	13.10%

(a) Includes the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, 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 Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election, which the District would be required to call 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to twenty (20%) percent 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 District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Tax Code, which is effective for tax year 2011 and prior applicable years, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within one hundred seventy-five (175) days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more 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. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has not taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

From time to time the District may be subject to a natural disaster such as a hurricane, tornado, tropical storm or other adverse weather event severely impacting the entire region and resulting in a disaster declaration by the Governor of Texas. See “INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster”. On November 5, 2019, a Texas Constitutional Amendment, effective January 1, 2020, was passed and individuals in a Governor-declared disaster area may apply for a temporary exemption for qualified property. See “INVESTMENT CONSIDERATIONS - Reappraisal of Property.”

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition of review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the appraisal district to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

During the 86th Regular Legislative Session, Senate Bill 2 ("SB2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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 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 resident 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 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.

Agricultural, Open Space, Timberland and Inventory Deferment

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

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. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) to defray collection costs if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Under certain circumstances, property owners located within a natural disaster area affected by a disaster may pay property taxes in four equal installments following the disaster. Further, a person who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is

determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "Tax Collections and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

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

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

Developers Under No Obligation to the District: The Developers have each informed the District of its current plans to continue to develop land in the District for residential or commercial purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on each Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of each Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPERS" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2019 Assessed Valuation of property located within the District (see "TAX DATA") is \$109,608,780, the 2020 Preliminary Assessed Valuation is \$169,843,605 and the Estimated Valuation as of May 1, 2020, is \$206,533,261. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$1,142,875 (2045) and the average annual debt service requirements will be \$1,077,498 (2020–2045). Assuming no increase to, nor decrease from the 2019 Assessed Valuation of \$109,608,780, tax rates of \$1.10 and \$1.04 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to, nor decrease from the 2020 Preliminary Assessed Valuation of \$169,843,605, tax rates of \$0.71 and \$0.67 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to, nor decrease from the Estimated Valuation as of May 1, 2020, of \$206,533,261, tax rates of \$0.59 and \$0.55 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2019, the District levied a maintenance and operations tax of \$0.62 per \$100 of assessed valuation and a debt service tax rate of \$0.43 per \$100 of assessed valuation.

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

The SPLID's levee and drainage system (the "Sienna Levee") has been designed and constructed to all current standards. See "THE SYSTEM." However, the levee system does not protect against all flooding scenarios. There are three instances in which flooding could occur in the District: 1) an overtopping of the levee, 2) a failure (or breach) of the levee system, or 3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% change of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event. The 100-year event elevation for the Brazos River adjacent to the SPLID's levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to the SPLID's engineer, overtopping of the Sienna Levee system may occur from river events with a recurrence of less than 0.2% based on the effective FEMA models for the Brazos River in the County. However, the District is within the boundaries of the SPLID but is not protected by the levee.

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

Infectious Disease Outbreak – COVID-19

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, imposed limitations on social gatherings of more than 10 people, ordered closure of in-person classroom attendance at school districts through the remainder of the 2019-2020 school year and maintained certain mandates regarding the minimization of in-person contact with people who are not in the same household. On April 17, 2020, the Governor issued Executive Order GA-16 generally continuing the same social-distancing restrictions and other obligations for Texans according to federal guidelines, but also provided the first steps to re-open businesses in Texas beginning on May 1, 2020. On May 6, 2020, the Governor subsequently expanded the types of business that could reopen and provided for a staged reopening of those businesses starting May 8, 2020, and May 18, 2020. On May 18, 2020, the Governor provided a plan for the further reopening of businesses through the month of May, and reopened school campuses for in-person classroom instructions beginning June 1, 2020. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster and have issued “shelter-in-place” orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the state and national economies.

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

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

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

Dependence on the Oil and Gas Industry

Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation’s

oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19.” Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast (the “Coast”). As it has in the past, the Coast could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rates. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

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

Reappraisal of Property

On November 5, 2019, a Texas Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. The applicable appraisal district must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

Recent Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood:

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

Riverine (or Fluvial) Flood:

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

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM."

Fort Bend County Drainage Regulations

As a result of several severe weather events, such as Hurricane Harvey, and the release of the Atlas 14 rainfall study, the County adopted the Interim Atlas 14 Drainage Criteria Manual and Minimum Slab Elevation Criteria (the "Drainage Criteria") to minimize the potential impact on drainage and mitigate flooding risks from new development. The Drainage Criteria took effect January 1, 2020.

The Drainage Criteria govern construction projects in unincorporated Fort Bend County and the updates include revisions to (i) the required minimum slab elevations, (ii) the required minimum bridge crossing elevations, (iii) the rainfall depths and impervious values for use with drainage plan calculations, and (iv) requirements for drainage plans to modify/expand existing developments.

The adoption of the Drainage Criteria in the County may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

District Tax Levy and Overlapping District Taxes and Functions

The entirety of the District is located within the SPLID, a levee improvement district that covers approximately 9,832 acres of land. The SPLID has constructed certain improvements to remove land within the SPLID, excluding the District, from the flood plain and to accommodate storm water drainage within the SPLID, including the District. As of March 31, 2020, the SPLID has \$127,445,000 principal amount of bonds outstanding. The principal of and interest on the SPLID bonds are payable from the proceeds of a continuing direct annual ad valorem property tax, without legal limit as to rate or amount, levied against all taxable property located within the SPLID, including the District. The SPLID levied a debt service tax of \$0.31 per \$100 of assessed valuation for 2019, plus a maintenance tax of \$0.14 per \$100 of assessed valuation, for a total 2019 tax of \$0.45 per \$100 of assessed valuation. Since the SPLID's debt is payable from an unlimited tax, the full and timely payment of such tax by the owners of property located within the SPLID will directly affect the SPLID's ability to meet its debt obligations.

Furthermore, the absence of continued development and growth of taxable values in the SPLID or other factors could result in increases in the SPLID's tax rate.

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

In the event that the SPLID's debt service tax rate of \$0.31 per \$100 of assessed valuation, plus its maintenance tax of \$0.14 per \$100 of assessed valuation, prove to be insufficient to enable the SPLID to meet debt service requirements on its indebtedness and/or its maintenance and operating requirements, the SPLID would be required to increase its tax rate to a level sufficient to meet such requirements. The SPLID's 2019 assessed valuation is \$3,770,426,549.

Tax Collections and Foreclosure Remedies

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

Limitation to Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral

or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

A municipal utility district cannot be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, the County, 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 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.

On August 23, 2019, the EPA published final notice reclassifying the HGB Area from "moderate" to "serious" under the 2008 Ozone Standard, effective September 23, 2019. While the HGB Area is now designated as a "serious" nonattainment area, with an attainment deadline of July 20, 2021, implementation requirements of all reasonably available control technologies ("RACT") have been met and there are no new deadlines for RACT implementation for levels of nitrogen oxides and volatile organic compounds. If the EPA ultimately determines that the HGB Area continues to fail to meet air quality standards 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, the County, 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.

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

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

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

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

Changes in Tax Legislation

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

Marketability

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

The 2019 Legislative Session

The 86th Texas Legislature convened on January 8, 2019, and adjourned on May 27, 2019.

During the 86th Regular Legislative Session, the Texas Legislature passed SB 2, a law that materially changes ad valorem tax matters, including rollback elections for maintenance and operation tax increases, and other matters which may have an adverse impact on the District’s operations and financial condition. SB 2 was signed into law by the Governor of Texas (the “Governor”) on June 12, 2019. See “TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate.”

Continuing Compliance with Certain Covenants

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

Future Debt

Following the issuance of the Bonds, the District will have \$24,910,000 principal amount of unlimited tax bonds and \$67,500,000 principal amount of unlimited tax refunding bonds authorized but unissued for the District’s System, and such additional bonds as may hereafter be approved by the Board and voters of the District. The

District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the Developers will be fully reimbursed for the reimbursable expenditures advanced to date to develop land within the District. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

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

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

Annexation

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

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Bond Insurance Risk Factors

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

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given

that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims 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 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) of the Bonds. See "RATINGS."

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 Initial Purchaser 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 of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer about the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Proceedings

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

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

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

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have

been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

In the opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, (i) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds.

If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Proposed Tax Legislation

If enacted, tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

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

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT,” “TAX DATA,” and “APPENDIX A.” The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect bondholders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information financial, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that it will not assign any of its rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developer may sell its property within the District without any such assumption. The District's ability to provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

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

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: "THE DISTRICT," "THE SYSTEM," "THE DEVELOPERS," "DEVELOPMENT WITHIN THE DISTRICT," "TAX DATA," "THE BONDS," "CONTINUING DISCLOSURE OF INFORMATION", "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS."

Experts

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT – Engineer," and "THE SYSTEM," has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in

particular such information contained in the sections captioned "TAX DATA" has been provided by Tax Tech, Inc. and the Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Auditor

The District's audited financial statements for the year ended July 31, 2019 were prepared by McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A". McCall Gibson Swedlund Barfoot P.L.L.C., Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

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

Updating of Official Statement

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

Miscellaneous

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

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

/s/ Jennifer Jacobs
President, Board of Directors
Fort Bend County Municipal Utility District No. 131

ATTEST:

/s/ Risha Miller
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 131

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 131 (the "District"), as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

November 26, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 131's (the "District") financial performance provides an overview of the District's financial activities for the year ended July 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$1,569,997 as of July 31, 2019.

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

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2019	2018	Change Positive (Negative)
Current and Other Assets	\$ 3,145,687	\$ 2,270,127	\$ 875,560
Capital Assets (Net of Accumulated Depreciation)	9,203,294	7,040,839	2,162,455
Total Assets	<u>\$ 12,348,981</u>	<u>\$ 9,310,966</u>	<u>\$ 3,038,015</u>
Due to Developer	\$ 4,184,047	\$ 3,399,909	\$ (784,138)
Long -Term Liabilities	8,209,987	2,288,254	(5,921,733)
Bond Anticipation Notes Payable	1,225,590	4,365,590	3,140,000
Other Liabilities	299,354	241,123	(58,231)
Total Liabilities	<u>\$ 13,918,978</u>	<u>\$ 10,294,876</u>	<u>\$ (3,624,102)</u>
Net Position:			
Net Investment in Capital Assets	\$ (4,130,739)	\$ (2,836,370)	\$ (1,294,369)
Restricted	554,634	276,053	278,581
Unrestricted	2,006,108	1,576,407	429,701
Total Net Position	<u>\$ (1,569,997)</u>	<u>\$ (983,910)</u>	<u>\$ (586,087)</u>

The following table provides a summary of the District's operations for the years ended July 31, 2019, and July 31, 2018. The District's net position decreased by \$586,087, accounting for a 59.6% decrease in net position. Comparative data is presented below.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 685,190	\$ 460,468	\$ 224,722
Charges for Services	1,194,325	1,265,460	(71,135)
Other Revenues	453,822	29,336	424,486
Total Revenues	<u>\$ 2,333,337</u>	<u>\$ 1,755,264</u>	<u>\$ 578,073</u>
Expenses for Services	2,919,424	1,258,769	(1,660,655)
Change in Net Position	\$ (586,087)	\$ 496,495	\$ (1,082,582)
Net Position, Beginning of Year	(983,910)	(1,480,405)	496,495
Net Position, End of Year	<u>\$ (1,569,997)</u>	<u>\$ (983,910)</u>	<u>\$ (586,087)</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balance as of July 31, 2019, was \$1,719,107, an increase of \$4,072,653 from the prior year.

The General Fund fund balance increased by \$429,078, primarily due to developer and other governmental unit contributions which offset operating and capital costs exceeding tax and service revenues.

The Debt Service Fund increased by \$394,528, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance increased by \$3,249,047, primarily due to the redemption of the Series 2018 Bond Anticipation Note.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year ended July 31, 2019. Actual revenues were \$524,966 more than budgeted revenues, primarily due to higher than anticipated revenues across all categories except property tax revenues. Actual expenditures were \$932,296 more than budgeted expenditures, primarily due to higher than anticipated costs across all categories except utilities costs.

CAPITAL ASSETS

The District's capital assets as of July 31, 2019, amount to \$9,203,294 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 76,425	\$ 76,425	\$
Construction in Progress	42,787	224,402	(181,615)
Capital Assets, Net of Accumulated Depreciation:			
Water System	2,588,800	2,388,082	200,718
Wastewater System	3,126,113	1,857,009	1,269,104
Drainage System	3,369,169	2,494,921	874,248
Total Net Capital Assets	\$ 9,203,294	\$ 7,040,839	\$ 2,162,455

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2019**

LONG-TERM DEBT ACTIVITY

As of July 31, 2019, the District had total bond debt payable of 8,200,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2019, are summarized as follows:

Bond Debt Payable, August 1, 2018	\$ 2,335,000
Add: Bond Sale - Series 2019	5,930,000
Less: Bond Principal Paid	<u>65,000</u>
Bond Debt Payable, July 31, 2019	<u><u>\$ 8,200,000</u></u>

The District's Series 2015 bonds do not carry an underlying rating or an insured rating. The Series 2019 bonds carry an underlying rating of "Baa3" from Moody's and have an insured rating of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

CONTACTING THE DISTRICT'S MANAGEMENT

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,078,976	\$ 682,488
Receivables:		
Property Taxes	16,156	10,116
Penalty and Interest on Delinquent Taxes		
Service Accounts	112,456	
Due from Other Funds		26,583
Prepaid Costs	45,387	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 2,252,975	\$ 719,187

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 167,934	\$ 2,929,398	\$	\$ 2,929,398
	26,272		26,272
		6,938	6,938
	112,456		112,456
2,010	28,593	(28,593)	
	45,387	25,236	70,623
		76,425	76,425
		42,787	42,787
		<u>9,084,082</u>	<u>9,084,082</u>
<u>\$ 169,944</u>	<u>\$ 3,142,106</u>	<u>\$ 9,206,875</u>	<u>\$ 12,348,981</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 75,874	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds	28,593	
Due to Taxpayers		1,649
Security Deposits	50,900	
Accrued Interest at Time of Sale		13,032
Bond Anticipation Notes Payable		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 155,367	\$ 14,681
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 16,156	\$ 10,116
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 45,387	\$
Restricted for Authorized Construction		
Restricted for Debt Service		694,390
Assigned to 2020 Budget Deficit	117,210	
Unassigned	1,918,855	
TOTAL FUND BALANCES	\$ 2,081,452	\$ 694,390
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,252,975	\$ 719,187
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 1,089	\$ 76,963	\$	\$ 76,963
		169,842	169,842
		4,184,047	4,184,047
	28,593	(28,593)	
	1,649		1,649
	50,900		50,900
	13,032	(13,032)	
1,225,590	1,225,590		1,225,590
		260,000	260,000
		7,949,987	7,949,987
<u>\$ 1,226,679</u>	<u>\$ 1,396,727</u>	<u>\$ 12,522,251</u>	<u>\$ 13,918,978</u>
<u>\$ -0-</u>	<u>\$ 26,272</u>	<u>\$ (26,272)</u>	<u>\$ -0-</u>
\$	\$ 45,387	\$ (45,387)	\$
(1,056,735)	(1,056,735)	1,056,735	
	694,390	(694,390)	
	117,210	(117,210)	
	1,918,855	(1,918,855)	
<u>\$ (1,056,735)</u>	<u>\$ 1,719,107</u>	<u>\$ (1,719,107)</u>	<u>\$ - 0 -</u>
<u>\$ 169,944</u>	<u>\$ 3,142,106</u>		
		\$ (4,130,739)	\$ (4,130,739)
		554,634	554,634
		2,006,108	2,006,108
		<u>\$ (1,569,997)</u>	<u>\$ (1,569,997)</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2019

Total Fund Balances - Governmental Funds	\$ 1,719,107
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid lease payments funded by the developer are not financial resources and therefore are not reported as an asset in the governmental funds.	25,236
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Land and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	9,203,294
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.	33,210
--	--------

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

Due to Developer	\$ (4,184,047)	
Accrued Interest Payable	(156,810)	
Bonds Payable	<u>(8,209,987)</u>	<u>(12,550,844)</u>

Total Net Position - Governmental Activities	<u>\$ (1,569,997)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 123,142	\$ 555,726
Water Service	211,579	
Wastewater Service	351,280	
Regional Water Authority Fees	140,277	
Penalty and Interest	20,101	1,971
Tap Connection and Inspection Fees	467,501	
Investment Revenues	9,481	1,170
Miscellaneous Revenues	24,419	
TOTAL REVENUES	\$ 1,347,780	\$ 558,867
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 205,726	\$ 262
Contracted Services	153,077	16,770
Utilities	42,240	
Regional Water Authority Assessment	157,898	
Repairs and Maintenance	187,546	
Depreciation		
Other	409,661	2,442
Capital Outlay	601,698	
Developer Interest		
Debt Service:		
Bond Anticipation Note Interest		
Bond and Bond Anticipation Note Issuance Costs		
Bond Principal		65,000
Bond Interest		79,865
TOTAL EXPENDITURES/EXPENSES	\$ 1,757,846	\$ 164,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (410,066)	\$ 394,528
OTHER FINANCING SOURCES (USES)		
Bond Premiums	\$	\$
Contributed by Other Governmental Unit	418,516	
Developer Contributions	420,628	
Long-Term Debt Issued		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 839,144	\$ -0-
NET CHANGE IN FUND BALANCES	\$ 429,078	\$ 394,528
CHANGE IN NET POSITION		
FUND BALANCES (DEFICIT)/NET POSITION - AUGUST 1, 2018	1,652,374	299,862
FUND BALANCES (DEFICIT)/NET POSITION - JULY 31, 2019	\$ 2,081,452	\$ 694,390

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 678,868	\$ 6,322	\$ 685,190
	211,579		211,579
	351,280		351,280
	140,277		140,277
	22,072	1,616	23,688
	467,501		467,501
236	10,887		10,887
	24,419	418,516	442,935
<u>\$ 236</u>	<u>\$ 1,906,883</u>	<u>\$ 426,454</u>	<u>\$ 2,333,337</u>
\$	\$ 205,988	\$	\$ 205,988
	169,847		169,847
	42,240		42,240
	157,898		157,898
	187,546		187,546
		266,961	266,961
152	412,255		412,255
1,464,207	2,065,905	(2,065,905)	
711,722	711,722		711,722
44,701	44,701		44,701
515,867	515,867		515,867
	65,000	(65,000)	
	79,865	124,534	204,399
<u>\$ 2,736,649</u>	<u>\$ 4,658,834</u>	<u>\$ (1,739,410)</u>	<u>\$ 2,919,424</u>
<u>\$ (2,736,413)</u>	<u>\$ (2,751,951)</u>	<u>\$ 2,165,864</u>	<u>\$ (586,087)</u>
\$ 55,460	\$ 55,460	\$ (55,460)	\$
	418,516	(418,516)	
	420,628	(420,628)	
	5,930,000	(5,930,000)	
<u>\$ 5,985,460</u>	<u>\$ 6,824,604</u>	<u>\$ (6,824,604)</u>	<u>\$ -0-</u>
\$ 3,249,047	\$ 4,072,653	\$ (4,072,653)	\$
		(586,087)	(586,087)
<u>(4,305,782)</u>	<u>(2,353,546)</u>	<u>1,369,636</u>	<u>(983,910)</u>
<u>\$ (1,056,735)</u>	<u>\$ 1,719,107</u>	<u>\$ (3,289,104)</u>	<u>\$ (1,569,997)</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ 4,072,653
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	6,322
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	1,616
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(266,961)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,065,905
Governmental funds report bond premiums as other financing sources in the year received. However, in the Statement of Net Position, bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(55,460)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments are reported as decreases in long-term liabilities.	65,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(124,534)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(5,930,000)
Governmental funds report developer contributions as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	(420,628)
Change in Net Position - Governmental Activities	<u>\$ (586,087)</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 1. CREATION OF DISTRICT

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Basis of Accounting

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

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2019, the General Fund owes the Capital Projects Fund \$2,010 for an excess transfer of Bond Anticipation Note proceeds in a previous year and the General Fund owes the Debt Service Fund \$26,583 for an excess transfer of maintenance tax collections.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

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

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

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the year ended July 31, 2019.

Pensions

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. As of July 31, 2019, the District has assigned \$117,210 of the General Fund fund balance for a projected budget deficit for the year ending July 31, 2020.

Unassigned: all other spendable amounts in the General Fund.

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

	Series 2015	Series 2019
Amounts Outstanding – July 31, 2019	\$2,270,000	\$5,930,000
Interest Rates	2.00% - 4.00%	3.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2039	September 1, 2019/2043
Interest Payment Dates	September 1/March 1	September 1/March 1
Callable Dates	September 1, 2023*	September 1, 2024*

* Bonds maturing on or after this date are subject to being called at par value plus accrued interest from the most recent integral payment date to the date fixed for redemption. Series 2015 term bonds maturing September 1, 2034, and September 1, 2039, are subject to mandatory redemption beginning September 1, 2033, and September 1, 2035, respectively. Series 2019 term bonds maturing on September 1, 2036, September 1, 2040, and September 1, 2043, are subject to mandatory redemption beginning September 1, 2035, September 1, 2037, and September 1, 2041, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2019:

	August 1, 2018	Additions	Retirements	July 31, 2019
Bonds Payable	\$ 2,335,000	\$ 5,930,000	\$ 65,000	\$ 8,200,000
Unamortized Discounts	(46,746)		(2,245)	(44,501)
Unamortized Premiums		55,460	972	54,488
Bonds Payable, Net	\$ 2,288,254	\$ 5,985,460	\$ 63,727	\$ 8,209,987
		Amount Due Within One Year		\$ 260,000
		Amount Due After One Year		7,949,987
		Bonds Payable, Net		\$ 8,209,987

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

As of July 31, 2019, the District had authorized but unissued tax bonds in the amount of \$36,675,000 and refunding bonds authorization of \$67,500,000. As of July 31, 2019, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 260,000	\$ 313,806	\$ 573,806
2021	210,000	295,838	505,838
2022	220,000	285,580	505,580
2023	230,000	274,650	504,650
2024	240,000	263,105	503,105
2025-2029	1,365,000	1,136,963	2,501,963
2030-2034	1,700,000	875,562	2,575,562
2035-2039	2,105,000	544,660	2,649,660
2040-2044	1,870,000	166,782	2,036,782
	<u>\$ 8,200,000</u>	<u>\$ 4,156,946</u>	<u>\$ 12,356,946</u>

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

During the year ended July 31, 2019, the District levied an ad valorem debt service tax rate of \$0.86 per \$100 of assessed valuation, which resulted in a tax levy of \$561,613 on the adjusted taxable valuation of \$65,303,714 for the 2018 tax year. The bond order and bond resolution require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$2,929,398 and the bank balance was \$3,021,460. The District was not exposed to custodial credit risk at year end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 2,078,976
DEBT SERVICE FUND	682,488
CAPITAL PROJECTS FUND	167,934
TOTAL DEPOSITS	\$ 2,929,398

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

As of July 31, 2019, the District did not have any investments.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2019:

	August 1, 2018	Increases	Decreases	July 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 76,425			\$ 76,425
Construction in Progress	224,402	2,429,416	2,611,031	42,787
Total Capital Assets Not Being Depreciated	<u>\$ 300,827</u>	<u>\$ 2,429,416</u>	<u>\$ 2,611,031</u>	<u>\$ 119,212</u>
Capital Assets Subject to Depreciation				
Water System	\$ 3,529,407	\$ 322,828	\$	\$ 3,852,235
Wastewater System	2,166,404	1,339,579		3,505,983
Drainage System	2,860,893	948,624		3,809,517
Total Capital Assets Subject to Depreciation	<u>\$ 8,556,704</u>	<u>\$ 2,611,031</u>	<u>\$ - 0 -</u>	<u>\$ 11,167,735</u>
Less Accumulated Depreciation				
Water System	\$ 1,141,325	\$ 122,110	\$	\$ 1,263,435
Wastewater System	309,395	70,475		379,870
Drainage System	365,972	74,376		440,348
Total Accumulated Depreciation	<u>\$ 1,816,692</u>	<u>\$ 266,961</u>	<u>\$ - 0 -</u>	<u>\$ 2,083,653</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,740,012</u>	<u>\$ 2,344,070</u>	<u>\$ - 0 -</u>	<u>\$ 9,084,082</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 7,040,839</u>	<u>\$ 4,773,486</u>	<u>\$ 2,611,031</u>	<u>\$ 9,203,294</u>

NOTE 7. MAINTENANCE TAX

On September 14, 2002, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.25 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.19 per \$100 of assessed valuation, which resulted in a tax levy of \$124,077 on the taxable valuation of \$65,303,714 for the 2018 tax year.

NOTE 8. UNREIMBURSED COSTS

The District has executed facilities and operating costs reimbursement agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds. As of July 31, 2019, the developers within the District indicated that approximately \$4,092,547 had been expended on behalf of the District in relation to these agreements for projects that have been completed. This liability has been recorded in the Statement of Net Position. Reimbursement is contingent on the future sale of bonds.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 8. UNREIMBURSED COSTS (Continued)

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

NOTE 9. OPERATING LEASE – INTERIM WASTEWATER TREATMENT PLANT

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

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

On August 22, 2017, the District amended the lease agreement to extend the terms of the agreement by sixty months to add additional leased equipment. The amendment calls for monthly lease payments of \$14,875 for 36 months and \$18,900 for 24 months thereafter. The District may extend the lease on a month to month basis at \$17,100 per month. On February 13, 2019, the District amended the lease agreement to add a natural gas generator and automatic transfer switch. The amendment calls for monthly lease payments of \$880 per month. During the current fiscal year, the District recorded \$141,795 of payments in accordance with these amendments.

NOTE 10. RISK MANAGEMENT

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 11. SALE OF BOND ANTICIPATION NOTES

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

On May 1, 2018, the District closed on the sale of its \$3,140,000 Series 2018 Bond Anticipation Note (2018 BAN). Proceeds from the 2018 BAN were used to reimburse a developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Southern Colony, Sections 1, 2A, 2B, and 3A and costs for the Southern Colony Remote Water Well. Additional proceeds were used to pay issuance costs. The 2018 BAN was redeemed with proceeds from the sale of the Series 2019 bonds, see Note 15.

NOTE 12. WASTEWATER TREATMENT FACILITIES AGREEMENT

Effective January 24, 2007, the District entered into a Wastewater Treatment Facilities Agreement (“Agreement”) with a developer acting on behalf of Fort Bend County Municipal Utility District No. 189 (District No. 189). Each District is responsible for the construction and maintenance of its own sanitary sewer collection system necessary to deliver waste to the plant. The District will maintain title to the plant and each district will have an undivided, equitable interest in the plant, plant site and rated capacity based on its pro rate share of rated capacity of the plant. Each district will be responsible for its pro rata share of any expansion costs. Upon District No. 189 acquiring capacity in the plant, the District will establish a special revenue fund

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 12. WASTEWATER TREATMENT FACILITIES AGREEMENT (Continued)

to account for the activities of the joint wastewater treatment plant. The District will operate the plant and will bill fixed and variable costs according to the terms of the Agreement. The Agreement is in effect for a period of 50 years from the effective date. The construction of the plant commenced in the current fiscal year and was completed in the current fiscal year.

NOTE 13. EMERGENCY WATER INTERCONNECT AGREEMENT

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

NOTE 14. GROUNDWATER REDUCTION PLAN PARTICIPATION AGREEMENT

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

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

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

The District agrees to pay the Authority a water well pumpage fee, based on the amount of water pumped from all well(s) owned and operated by the District. This fee will enable the Authority to fulfill its purpose and regulatory functions. The current fee being charged is \$3.65 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$157,898 for fees assessed during the current fiscal year.

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2019

NOTE 15. BOND SALE

On February 21, 2019, the District issued \$5,930,000 of Unlimited Tax Bonds, Series 2019. Proceeds from the bonds were used to redeem the Series 2018 BAN and reimburse a developer for a portion of the costs associated with construction and engineering for water, wastewater and drainage facilities to serve Southern Colony, Sections 1, 2A, 2B, and 3A and costs for the Southern Colony Remote Water Well. Additional proceeds were used to pay issuance costs of the Series 2018 BAN and bonds.

NOTE 16. SUBSEQUENT EVENT - BOND APPLICATION

Subsequent to year-end, the District filed an application with the Commission asking for approval to issue \$11,765,000 in bonds. The application is still being reviewed by the Commission as of the date of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property Taxes	\$ 132,814	\$ 123,142	\$ (9,672)
Water and Wastewater Service	380,000	562,859	182,859
Regional Water Authority Fee	80,000	140,277	60,277
Penalty and Interest		20,101	20,101
Tap Connection and Inspection Fees	225,000	467,501	242,501
Investment Revenues	5,000	9,481	4,481
Miscellaneous Revenues		24,419	24,419
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>\$ 822,814</u>	<u>\$ 1,347,780</u>	<u>\$ 524,966</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 129,250	\$ 205,726	\$ (76,476)
Contracted Services	152,000	153,077	(1,077)
Utilities	45,000	42,240	2,760
Regional Water Authority Assessment	100,000	157,898	(57,898)
Repairs and Maintenance	156,800	187,546	(30,746)
Other	242,500	409,661	(167,161)
Capital Outlay		601,698	(601,698)
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 825,550</u>	<u>\$ 1,757,846</u>	<u>\$ (932,296)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,736)</u>	<u>\$ (410,066)</u>	<u>\$ (407,330)</u>
OTHER FINANCING SOURCES(USES)			
Contributed by Other Governmental Unit	\$	\$ 418,516	\$ 418,516
Developer Contributions		420,628	420,628
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 839,144</u>	<u>\$ 839,144</u>
NET CHANGE IN FUND BALANCE	\$ (2,736)	\$ 429,078	\$ 431,814
FUND BALANCE - AUGUST 1, 2018	<u>1,652,374</u>	<u>1,652,374</u>	<u> </u>
FUND BALANCE - JULY 31, 2019	<u>\$ 1,649,638</u>	<u>\$ 2,081,452</u>	<u>\$ 431,814</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131

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

JULY 31, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$24.89	10,000	N	\$2.75	10,001 and up
WASTEWATER:	\$45.16*	10,000	N	\$2.75	10,001 and up
SURCHARGE:					
Regional Water Authority Fees	110% of the fee charged by Authority				

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$24.89 Wastewater: \$45.16 Surcharge: \$40.20

* Includes \$17.66 for garbage service.

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>783</u>	<u>773</u>	x 1.0	<u>773</u>
1"	<u>4</u>	<u>4</u>	x 2.5	<u>10</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>9</u>	<u>9</u>	x 8.0	<u>72</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>799</u></u>	<u><u>789</u></u>		<u><u>870</u></u>
Total Wastewater Connections	<u><u>786</u></u>	<u><u>776</u></u>	x 1.0	<u><u>776</u></u>

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

Gallons pumped into system:	45,556,000	Water Accountability Ratio: 88.1 % (Gallons billed/Gallons pumped)
Gallons billed to customers:	40,131,000	

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2019**

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Alvin, Texas.

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 12,500
Engineering	87,595
Legal	<u>105,631</u>
TOTAL PROFESSIONAL FEES	<u>\$ 205,726</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,298
Operations and Billing	<u>40,626</u>
TOTAL CONTRACTED SERVICES	<u>\$ 53,924</u>
UTILITIES:	
Electricity and Telephone	<u>\$ 42,240</u>
REPAIRS AND MAINTENANCE	<u>\$ 187,546</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 12,000
Dues	650
Election Costs	44
Insurance	11,400
Lease Payments	180,195
Legal Notices	2,801
Office Supplies and Postage	32,639
Payroll Taxes	860
Travel and Meetings	5,000
Other	<u>6,697</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 252,286</u>
CAPITAL OUTLAY	<u>\$ 601,698</u>
TAP CONNECTIONS	<u>\$ 69,320</u>
SOLID WASTE DISPOSAL	<u>\$ 99,153</u>
OTHER EXPENDITURES:	
Chemicals	\$ 3,155
Laboratory Fees	17,256
Permit Fees	1,902
Inspection Fees	51,661
Regional Water Authority Assessment	157,898
Regulatory Assessment	2,717
Sludge Hauling	<u>11,364</u>
TOTAL OTHER EXPENDITURES	<u>\$ 245,953</u>
TOTAL EXPENDITURES	<u>\$ 1,757,846</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - AUGUST 1, 2018	\$	15,533	\$	4,417
Adjustments to Beginning Balance		<u>(312)</u>	\$	<u>4,229</u>
		\$ 15,221		\$ 4,229
Original 2018 Tax Levy	\$	121,127	\$	548,258
Adjustment to 2018 Tax Levy		<u>2,950</u>	<u>124,077</u>	<u>561,613</u>
TOTAL TO BE ACCOUNTED FOR		\$ 139,298		\$ 565,842
TAX COLLECTIONS:				
Prior Years	\$	419	\$	244
Current Year		<u>122,723</u>	<u>123,142</u>	<u>555,482</u>
		\$ 16,156		\$ 10,116
TAXES RECEIVABLE - JULY 31, 2019		<u>\$ 16,156</u>		<u>\$ 10,116</u>
TAXES RECEIVABLE BY YEAR:				
2018	\$	1,354	\$	6,131
2017		2,853		1,686
2016		1,918		1,169
2015		1,621		1,130
2014		2,501		
2013		1,029		
2012		938		
2011		932		
2010		978		
2009		975		
2008		<u>1,057</u>		
TOTAL	\$	<u>16,156</u>	\$	<u>10,116</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2019**

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 14,796,350	\$ 11,946,280	\$ 10,219,490	\$ 10,216,940
Improvements	52,219,870	33,228,490	31,866,130	28,620,920
Personal Property	344,680	235,900	202,850	187,160
Exemptions	(2,057,186)	(1,409,791)	(855,490)	(788,860)
TOTAL PROPERTY VALUATIONS	\$ 65,303,714	\$ 44,000,879	\$ 41,432,980	\$ 38,236,160
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.86	\$ 0.39	\$ 0.39	\$ 0.415
Maintenance	0.19	0.66	0.64	0.595
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.05	\$ 1.05	\$ 1.03	\$ 1.01
ADJUSTED TAX LEVY*	\$ 685,690	\$ 462,009	\$ 426,760	\$ 386,185
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	98.91 %	99.02 %	99.28 %	99.29 %

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

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

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

S E R I E S - 2 0 1 5				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 65,000	\$ 78,565	\$	143,565
2021	70,000	77,163		147,163
2022	70,000	75,605		145,605
2023	75,000	73,825		148,825
2024	80,000	71,730		151,730
2025	80,000	69,410		149,410
2026	85,000	66,935		151,935
2027	90,000	64,254		154,254
2028	95,000	61,304		156,304
2029	100,000	58,072		158,072
2030	105,000	54,548		159,548
2031	110,000	50,730		160,730
2032	115,000	46,666		161,666
2033	120,000	42,331		162,331
2034	125,000	37,659		162,659
2035	130,000	32,718		162,718
2036	135,000	27,500		162,500
2037	145,000	21,900		166,900
2038	150,000	16,000		166,000
2039	160,000	9,800		169,800
2040	165,000	3,300		168,300
2041				
2042				
2043				
2044				
	\$ 2,270,000	\$ 1,040,015	\$	3,310,015

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

S E R I E S - 2 0 1 9				
Due During Fiscal Years Ending July 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 195,000	\$ 235,241	\$	430,241
2021	140,000	218,675		358,675
2022	150,000	209,975		359,975
2023	155,000	200,825		355,825
2024	160,000	191,375		351,375
2025	170,000	181,475		351,475
2026	175,000	171,563		346,563
2027	180,000	161,800		341,800
2028	190,000	154,000		344,000
2029	200,000	148,150		348,150
2030	205,000	142,075		347,075
2031	215,000	135,775		350,775
2032	225,000	129,175		354,175
2033	235,000	122,128		357,128
2034	245,000	114,475		359,475
2035	255,000	106,191		361,191
2036	265,000	97,250		362,250
2037	275,000	87,800		362,800
2038	290,000	77,913		367,913
2039	300,000	67,588		367,588
2040	315,000	56,825		371,825
2041	325,000	45,625		370,625
2042	340,000	33,563		373,563
2043	355,000	20,531		375,531
2044	370,000	6,938		376,938
	\$ 5,930,000	\$ 3,116,931	\$	9,046,931

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending July 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	260,000	313,806	573,806
2021	210,000	295,838	505,838
2022	220,000	285,580	505,580
2023	230,000	274,650	504,650
2024	240,000	263,105	503,105
2025	250,000	250,885	500,885
2026	260,000	238,498	498,498
2027	270,000	226,054	496,054
2028	285,000	215,304	500,304
2029	300,000	206,222	506,222
2030	310,000	196,623	506,623
2031	325,000	186,505	511,505
2032	340,000	175,841	515,841
2033	355,000	164,459	519,459
2034	370,000	152,134	522,134
2035	385,000	138,909	523,909
2036	400,000	124,750	524,750
2037	420,000	109,700	529,700
2038	440,000	93,913	533,913
2039	460,000	77,388	537,388
2040	480,000	60,125	540,125
2041	325,000	45,625	370,625
2042	340,000	33,563	373,563
2043	355,000	20,531	375,531
2044	370,000	6,938	376,938
	<u>\$ 8,200,000</u>	<u>\$ 4,156,946</u>	<u>\$ 12,356,946</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2019**

Description	Original Bonds Issued	Bonds Outstanding August 1, 2018
Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds - Series 2015	\$ 2,395,000	\$ 2,335,000
Fort Bend County Municipal Utility District No. 131 Unlimited Tax Bonds - Series 2019	<u>5,930,000</u>	<u> </u>
TOTAL	<u>\$ 8,325,000</u>	<u>\$ 2,335,000</u>

Bond Authority:	Tax Bonds*	Refunding Bonds
Amount Authorized by Voters	\$ 45,000,000	\$ 67,500,000
Amount Issued	<u>8,325,000</u>	<u> </u>
Remaining to be Issued	<u>\$ 36,675,000</u>	<u>\$ 67,500,000</u>

Debt Service Fund cash, investments and cash with paying agent balances as of July 31, 2019: \$ 682,488

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 494,278

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

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding July 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$ -0-	\$ 65,000	\$ 79,865	\$ 2,270,000	Regions Bank Houston, TX
<u>5,930,000</u>			<u>5,930,000</u>	Regions Bank Houston, TX
<u>\$ 5,930,000</u>	<u>\$ 65,000</u>	<u>\$ 79,865</u>	<u>\$ 8,200,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 123,142	\$ 285,788	\$ 268,215
Water Service	211,579	132,070	97,858
Wastewater Service	351,280	253,616	166,881
Regional Water Authority Fee	140,277	90,730	72,549
Penalty and Interest	20,101	14,076	11,096
Tap Connection and Inspection Fees	467,501	772,440	258,788
Investment Revenues	9,481	8,109	1,698
Miscellaneous Revenues	24,419	19,955	12,784
TOTAL REVENUES	\$ 1,347,780	\$ 1,576,784	\$ 889,869
EXPENDITURES			
Professional Fees	\$ 205,726	\$ 187,816	\$ 113,825
Contracted Services	153,077	111,433	96,173
Utilities	42,240	39,000	35,083
Regional Water Authority Assessment	157,898	103,118	73,040
Repairs and Maintenance	187,546	158,808	64,686
Other	409,661	280,251	145,953
Capital Outlay	601,698	152,091	
Capital Lease Principal			
Capital Lease Interest			
TOTAL EXPENDITURES	\$ 1,757,846	\$ 1,032,517	\$ 528,760
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (410,066)	\$ 544,267	\$ 361,109
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$	\$	\$
Contributed by Other Governmental Unit	418,516		
Developer Contributions	420,628		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 839,144	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 429,078	\$ 544,267	\$ 361,109
BEGINNING FUND BALANCE	1,652,374	1,108,107	746,998
ENDING FUND BALANCE	\$ 2,081,452	\$ 1,652,374	\$ 1,108,107

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2016	2015	2019	2018	2017	2016	2015
\$ 228,145	\$ 343,674	9.1 %	18.0 %	30.1 %	43.3 %	53.6 %
78,472	77,962	15.7	8.4	11.0	14.9	12.2
145,273	145,741	26.1	16.1	18.8	27.6	22.7
54,845	40,623	10.4	5.8	8.2	10.4	6.3
9,609	21,766	1.5	0.9	1.2	1.8	3.4
		34.7	49.0	29.1		
931	665	0.7	0.5	0.2	0.2	0.1
9,480	11,219	1.8	1.3	1.4	1.8	1.7
<u>\$ 526,755</u>	<u>\$ 641,650</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 59,114	\$ 78,616	15.3 %	11.9 %	12.8 %	11.2 %	12.3 %
91,109	101,762	11.4	7.1	10.8	17.3	15.9
37,353	41,042	3.1	2.5	3.9	7.1	6.4
61,575	54,854	11.7	6.5	8.2	11.7	8.5
77,762	59,106	13.9	10.1	7.3	14.8	9.2
93,149	98,979	30.4	17.8	16.4	17.7	15.4
		44.6	9.6			
	53,906					8.4
	51,208					8.0
<u>\$ 420,062</u>	<u>\$ 539,473</u>	<u>130.4 %</u>	<u>65.5 %</u>	<u>59.4 %</u>	<u>79.8 %</u>	<u>84.1 %</u>
<u>\$ 106,693</u>	<u>\$ 102,177</u>	<u>(30.4) %</u>	<u>34.5 %</u>	<u>40.6 %</u>	<u>20.2 %</u>	<u>15.9 %</u>
\$	\$ 10,500					
<u>\$ -0-</u>	<u>\$ 10,500</u>					
\$ 106,693	\$ 112,677					
640,305	527,628					
<u>\$ 746,998</u>	<u>\$ 640,305</u>					

See accompanying independent auditor's report.

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

	Amount		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 555,726	\$ 169,026	\$ 163,883
Penalty and Interest	1,971	1,172	4,863
Interest on Investments	1,170	576	456
TOTAL REVENUES	\$ 558,867	\$ 170,774	\$ 169,202
EXPENDITURES			
Tax Collection Expenditures	\$ 18,668	\$ 20,438	\$ 16,550
Debt Service Principal	65,000	60,000	
Debt Service Interest and Fees	80,671	81,921	82,521
TOTAL EXPENDITURES	\$ 164,339	\$ 162,359	\$ 99,071
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 394,528	\$ 8,415	\$ 70,131
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	\$ -0-	\$ -0-	\$ -0-
NET CHANGE IN FUND BALANCE	\$ 394,528	\$ 8,415	\$ 70,131
BEGINNING FUND BALANCE	299,862	291,447	221,316
ENDING FUND BALANCE	\$ 694,390	\$ 299,862	\$ 291,447
TOTAL ACTIVE RETAIL WATER CONNECTIONS	789	610	353
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	776	601	347

See accompanying independent auditor's report.

		Percentage of Total Revenue				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 154,025	\$	99.4 %	99.0 %	96.8 %	97.0 %	%
4,368		0.4	0.7	2.9	2.8	
281	41	0.2 %	0.3 %	0.3 %	0.2 %	100.0 %
<u>\$ 158,674</u>	<u>\$ 41</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 18,272	\$ 36	3.3 %	12.0 %	9.8 %	11.5 %	87.8 %
		11.6	35.1			
63,000		14.4	48.0	48.8	39.7	
<u>\$ 81,272</u>	<u>\$ 36</u>	<u>29.3 %</u>	<u>95.1 %</u>	<u>58.6 %</u>	<u>51.2 %</u>	<u>87.8 %</u>
\$ 77,402	\$ 5	<u>70.7 %</u>	<u>4.9 %</u>	<u>41.4 %</u>	<u>48.8 %</u>	<u>12.2 %</u>
<u>\$ -0-</u>	<u>\$ 143,909</u>					
\$ 77,402	\$ 143,914					
143,914						
<u>\$ 221,316</u>	<u>\$ 143,914</u>					
<u>260</u>	<u>259</u>					
<u>258</u>	<u>255</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2019

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

District Telephone Number - (713) 850-9000

Board Members:	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>July 31, 2019</u>	Expense Reimbursements for the year ended <u>July 31, 2019</u>	<u>Title</u>
Jennifer Jacobs	05/2018 05/2022 (Elected)	\$ 3,900	\$ 1,553	President
Leslie Smith-Boards	05/2018 05/2022 (Elected)	\$ 3,150	\$ 1,798	Vice President
Risha Miller	05/2018 05/2022 (Elected)	\$ 2,700	\$ 328	Secretary/ Treasurer
Curtis R. Campbell	05/2016 05/2020 (Elected)	\$ 1,350	\$ 32	Assistant Secretary/ Treasurer
Gregory Eknoyan	05/2016 03/2019 (Resigned)	\$ 900	\$ -0-	Resigned

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

Submission date of most recent District Registration Form: July 30, 2019

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

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 131
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2019**

Consultants:	<u>Date Hired</u>	<u>Fees / Compensation for the year ended July 31, 2019</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	01/26/10	\$ 105,675 \$ 262 \$ 160,565	General Counsel/ Delinquent Tax Attorney/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/23/06	\$ 12,500 \$ 7,000	Auditor Bond Related
Myrtle Cruz, Inc.	07/24/02	\$ 16,806	Bookkeeper
LJA Engineering & Surveying, Inc.	03/14/02	\$ 116,931	Engineer
Robert W. Baird & Co., Incorporated	01/27/15	\$ 121,671	Financial Advisor
Mary Jarmon	07/24/02	\$ -0-	Investment Officer
SiEnvironmental	06/10/12	\$ 357,865	Operator
Tax Tech, Inc.	08/23/05	\$ 11,299	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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