

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT INCLUDABLE IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE “TAX MATTERS” FOR A DISCUSSION OF BOND COUNSEL’S OPINION.

The District designated the Bonds as “Qualified Tax-Exempt Obligations for Financial Institutions.” See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 346798

RATINGS: Underlying “BBB-” (stable outlook) S&P
See “MUNICIPAL BOND RATING” herein

\$3,665,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT No. 19
 (A political subdivision of the State of Texas, located in Fort Bend County, Texas)
UNLIMITED TAX BONDS
SERIES 2020

Dated: August 1, 2020

Due: December 1 (as shown below)

Interest on the Bonds (the “Bonds” or the “Series 2020 Bonds”) will accrue from August 1, 2020, and will be payable on December 1 and June 1 of each year, commencing December 1, 2020. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$25,000	2023	4.50%	1.10%	\$25,000	2025	4.50%	1.30%
\$25,000	2024	4.50%	1.20%				

\$225,000 4.50% Term Bond Due December 1, 2029 to Yield 1.60% (a) (b) (c)
 \$150,000 2.00% Term Bond Due December 1, 2031 to Yield 2.30% (a) (b) (c)
 \$225,000 2.25% Term Bond Due December 1, 2033 to Yield 2.50% (a) (b) (c)
 \$325,000 2.50% Term Bond Due December 1, 2035 to Yield 2.70% (a) (b) (c)
 \$375,000 2.75% Term Bond Due December 1, 2037 to Yield 2.90% (a) (b) (c)
 \$625,000 2.75% Term Bond Due December 1, 2040 to Yield 3.00% (a) (b) (c)
 \$675,000 3.00% Term Bond Due December 1, 2043 to Yield 3.07% (a) (b) (c)
 \$990,000 3.00% Term Bond Due December 1, 2047 to Yield 3.10% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after December 1, 2026, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on December 1, 2025, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Fort Bend County Municipal Utility District No. 19 (the “District”) to: (1) reimburse a developer for certain costs associated with the development of Riverwood Village, Section 4; (2) fund a lift station and costs associated with a lift station serving the District; (3) fund impact fees paid to the City of Richmond, Texas; (4) fund engineering fees related to number (1) above; (5) fund developer interest; (6) fund 12 months of capitalized interest; and (7) fund costs of issuance related to the sale of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be 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 – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Richmond, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Fort Bend County, or the City of Richmond, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Smith, Murdaugh, Little & Bonham L.L.P., Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 20, 2020.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1
SALE AND DISTRIBUTION OF THE BONDS.....	1
MUNICIPAL BOND RATING.....	2
OFFICIAL STATEMENT SUMMARY.....	3
SELECTED FINANCIAL INFORMATION.....	6
DEBT SERVICE SCHEDULE.....	7
INTRODUCTION	8
RISK FACTORS	8
USE OF BOND PROCEEDS.....	16
THE DISTRICT	17
THE DISTRICT'S DEVELOPER.....	18
THE SYSTEM	21
DISTRICT DEBT.....	24
TAX DATA.....	25
TAX PROCEDURES	28
ANNEXATION AND CONSOLIDATION	32
THE BONDS	32
BOOK-ENTRY-ONLY SYSTEM.....	35
LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS	36
LEGAL MATTERS	37
TAX MATTERS	37
OFFICIAL STATEMENT	40
CONTINUING DISCLOSURE OF INFORMATION	40
CERTIFICATION OF OFFICIAL STATEMENT	42
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT	A

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change, 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.

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.000000% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.047542% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriters.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings (“S&P”) assigned an underlying municipal bond rating of “BBB-” (stable outlook) to this issue of Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

Description	Fort Bend County Municipal Utility District No. 19 Unlimited Tax Bonds, Series 2020 (herein the "Bonds" or the "Series 2020 Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Fort Bend County Municipal Utility District No. 19 (the "District"). The Bonds mature December 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on December 1, 2020, and each June 1 and December 1 thereafter until maturity or prior redemption.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption Provisions	Bonds maturing on or after December 1, 2026, are subject to early redemption, in whole or from time to time in part, on December 1, 2025, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS." The Bonds maturing on December 1, 2029, 2031, 2033, 2035, 2037, 2040, 2043, and 2047 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on December 1 in the years 2026, 2030, 2032, 2034, 2036, 2038, 2041, and 2044 respectively. See "THE BONDS – Mandatory Redemption."
Sources of Payment	The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAX PROCEDURES." With respect to payment from taxes, the Bonds are further payable equally and ratably with the District's outstanding bonds and with bonds to be issued in the future by the District. See "THE BONDS - Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of the State of Texas, Fort Bend County, or the City of Richmond, or any other political subdivision or agency.
Municipal Bond Rating	S&P assigned an underlying municipal bond rating of "BBB-" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "MUNICIPAL BOND RATING."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to: (1) reimburse a developer for certain costs associated with the development of Riverwood Village, Section 4; (2) fund a lift station and costs associated with a lift station serving the District; (3) fund impact fees paid to the City of Richmond, Texas; (4) fund engineering fees related to number (1) above; (5) fund developer interest; (6) fund 12 months of capitalized interest; and (7) fund costs of issuance related to the sale of the Bonds. See "USE OF BOND PROCEEDS."
Qualified Tax Exempt Obligations	The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2020 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax Exempt Obligations for Financial Institutions."
Payment Record	The District has never defaulted in the payment of principal of or interest on its bonds.

Paying Agent/Registrar	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
Legal Opinions	Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel.
Risk Factors	The Bonds are subject to certain risk factors as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds particularly the section captioned "RISK FACTORS."

THE DISTRICT

Description	Fort Bend County Municipal Utility District No. 19, a political subdivision of the State of Texas, was created by the Texas Water Rights Commission pursuant to Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District is located in Fort Bend County approximately 30 miles southwest of the central business district of the City of Houston, Texas and adjacent to the City of Richmond, Texas. The District, which encompasses approximately 174 acres, contains the Riverwood Village Subdivision ("Riverwood Village"), and 19 undevelopable acres. The District is located within the Lamar Consolidated School District and lies wholly within the exclusive extra-territorial jurisdiction of the City of Richmond. See "THE DISTRICT."
Status of Development	The utilities serving Riverwood Village, Sections 1, 3, 4, and 5 encompass approximately 155 acres platted as 477 single-family residential lots. Approximately 19 acres lies in drainage easements or in the 100-year flood plain. The District has contracted with the City of Richmond, Texas for water supply capacity and wastewater treatment capacity. Because of such contract, the District's Engineer has represented that the District has or has the ability to obtain adequate water supply plant capacity to serve approximately 528 equivalent single-family connections ("ESFCs") and wastewater treatment plant capacity to serve approximately 528 ESFCs. The District is projected to have approximately 477 ESFCs at build out. See "THE DISTRICT" and "THE SYSTEM."
Homebuilding Development	<p>The District presently has 342 completed homes, of which approximately 333 are currently occupied; 16 homes are currently under construction; and approximately 125 vacant developed lots are available to be built upon.</p> <p>Approximately 130 homes were built during 1980 – 1994; approximately 46 homes were constructed during 1994 - 1999 in Riverwood Village, Section 1. Homes in Riverwood Village, Section 3 were constructed in 1976.</p> <p>Homes in Riverwood Village, Section 4 were constructed during 2018 and 2019 by Lennar Homes and Castlerock Homes and were marketed in the \$200,000 - \$250,000 price range.</p> <p>Homes in Riverwood Village, Section 5 were developed during 2019 and are being constructed by Castlerock Homes and Anglia Homes and are being marketed in the \$225,000 - \$260,000 price range.</p>
The Developer	The current developer of the land within the boundaries of the District is Riverwood Land, LLC, ("Riverwood") a Texas limited liability company, Riverwood is a subsidiary of Silvestri Investments, USA, Inc. ("Silvestri") which has been developing residential properties and commercial properties in the Houston area for over 40 years. Riverwood and Silvestri are collectively referred to herein as the Developer. The Developer has a management agreement with Glunt Investment and Development Co., Inc., a Texas corporation which is comprised of David R. Glunt. Mr. Glunt has been active in the Houston real estate market as a land developer for the past 40 years; Mr. Glunt is responsible for the day-to-day operating activities of the Developer including land planning, supervising land development activities, and the marketing/sale of lots to home builders.

Infectious Disease Outlook (COVID-19)

General	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. As described herein under "RISK FACTORS – Infectious Disease Outlook (COVID-19)," federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.
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Impacts

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 and the Houston area. 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. 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 necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

SELECTED FINANCIAL INFORMATION

(Unaudited)

5/1/2020 Estimated Taxable Value	\$46,233,455	(a)
1/1/2020 Preliminary Taxable Value	\$41,623,966	(b)
2019 Taxable Value	\$26,116,941	(c)

Direct Debt (See "DISTRICT DEBT")

Outstanding Bonds (as of July 1, 2020)	\$940,000
The Bonds	<u>\$3,665,000</u>
Total Direct Debt	\$4,605,000

Estimated Overlapping Debt	<u>\$2,226,931</u>
Direct and Estimated Overlapping Debt	\$6,831,931

Percentage of Direct Debt to

5/1/2020 Estimated Taxable Value	9.96%
2019 Taxable Value	17.63%
See "DISTRICT DEBT"	

Percentage of Direct and Estimated Overlapping Debt to

5/1/2020 Estimated Taxable Value	14.78%
2019 Taxable Value	26.16%
See "DISTRICT DEBT"	

2019 Tax Rate Per \$100 of Assessed Value

Debt Service	\$0.95
Maintenance Tax	<u>\$0.25</u>
Total 2019 Tax Rate	\$1.20

General Fund approximate cash balance as of 7/1/2020	\$230,141	(d)
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Debt Service Fund approximate cash balance as of 7/1/2020	\$674,398	(e)
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- (a) Reflects data supplied by FBCAD. The Estimated Taxable Value as of May 1, 2020, was prepared by FBCAD and provided to the District. Such value is not binding on FBCAD, and any new values subsequent to January 1, 2020, will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by FBCAD during the second half of 2021. See "TAX DATA" and "TAX PROCEDURES."
- (b) Represents the preliminary determination of the assessed valuation of all taxable property within the District as of 1/1/2020, 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 "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Reflects data supplied by FBCAD. See "TAX DATA" and "TAX PROCEDURES."
- (d) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (e) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

DEBT SERVICE SCHEDULE

The following sets forth the debt service requirements for the District's outstanding bonds and the Series 2020 Bonds.

Year	Outstanding Debt Service	Plus Debt Service Series 2020 Bonds		Total Debt Service
	Requirements	Principal	Interest	Requirements
2020	\$145,490		\$35,712	\$181,202
2021	\$146,477		\$107,137	\$253,614
2022	\$147,117		\$107,137	\$254,254
2023	\$147,400	\$25,000	\$107,137	\$279,537
2024	\$147,360	\$25,000	\$106,012	\$278,372
2025	\$146,992	\$25,000	\$104,887	\$276,879
2026	\$146,292	\$50,000	\$103,762	\$300,054
2027	\$145,307	\$50,000	\$101,512	\$296,819
2028	\$144,037	\$50,000	\$99,262	\$293,299
2029	\$147,425	\$75,000	\$97,012	\$319,437
2030	\$145,237	\$75,000	\$93,637	\$313,874
2031	<u>\$142,762</u>	\$75,000	\$92,137	\$309,899
2032		\$100,000	\$90,637	\$190,637
2033		\$125,000	\$88,387	\$213,387
2034		\$150,000	\$85,575	\$235,575
2035		\$175,000	\$81,825	\$256,825
2036		\$175,000	\$77,450	\$252,450
2037		\$200,000	\$72,637	\$272,637
2038		\$200,000	\$67,137	\$267,137
2039		\$200,000	\$61,637	\$261,637
2040		\$225,000	\$56,137	\$281,137
2041		\$225,000	\$49,950	\$274,950
2042		\$225,000	\$43,200	\$268,200
2043		\$225,000	\$36,450	\$261,450
2044		\$225,000	\$29,700	\$254,700
2045		\$250,000	\$22,950	\$272,950
2046		\$255,000	\$15,450	\$270,450
2047		<u>\$260,000</u>	<u>\$7,800</u>	<u>\$267,800</u>
TOTAL	\$1,751,896	\$3,665,000	\$2,042,266	\$7,459,162

Maximum Annual Debt Service Requirements (2029).....\$319,437

\$0.73 Tax Rate on the 5/1/2020 Estimated Taxable Value of \$46,233,455
 @ 95% collections produces\$320,629

\$1.29 Tax Rate on the 2019 Taxable Value of \$26,116,941
 @ 95% collections produces\$320,063

OFFICIAL STATEMENT

relating to

\$3,665,000

Fort Bend County Municipal Utility District No. 19
(A political subdivision of the State of Texas, located within Fort Bend County, Texas)

**UNLIMITED TAX BONDS,
SERIES 2020**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of Fort Bend County Municipal Utility District No. 19, Unlimited Tax Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to Article 16, Section 59 of the Texas Constitution and general laws, specifically Chapters 49 and 54 of the Texas Water Code, as amended, an election held within Fort Bend County Municipal Utility District No. 19 (the "District"), and pursuant to an order (the "Bond Order") adopted by the Board of Directors, a conservation and reclamation district and political subdivision of the State of Texas located within Fort Bend County, Texas.

This Official Statement includes descriptions of the Bonds, Use of Proceeds, the Bond Order, and certain information about the District and its financial condition and status of development. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by requesting such in writing to the Bond Counsel.

RISK FACTORS

General

The security for payment of the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property to enforce its tax lien. Further, the collection of delinquent taxes owed the District and the enforcement by a bondholder of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See "Tax Collections" and "Registered Owners' Remedies" herein and "THE BONDS - Sources of and Security for Payment."

Infectious Disease Outlook (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 the State of 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 this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order on March 31, 2020, which, among other things, orders the closure of schools throughout the state through certain time periods, which may be otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Fort Bend County, within which the District is located, has issued a "shelter in place" order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on slowing the spread of COVID-19 by limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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 and the Houston area. 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 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.

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 necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by (a) repetitive, annual expensive collections procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAX PROCEDURES."

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2019 tax rate was \$1.20 per \$100 of assessed valuation. At the present time, tax rates in excess of \$1.25 per \$100 of assessed valuation are not common among the majority of older more established utility districts in the Harris County and Fort Bend County areas, although many newly activated districts are presently projecting tax rates in the range of \$1.35 to \$1.50 per \$100. Any increase in the District's tax rate substantially above the \$1.50 level could further adversely impact future building development in the District and the District's ability to collect such tax.

The growth of the District's tax base is directly related to the housing industry in general and the demand for residential lots in the District in particular. The housing industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, the rate of foreclosure and general economic conditions. In the mid-1980's the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for new housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for and construction of single-family homes in the District, which is 30 miles south of downtown Houston, also could be affected by competition from nearby residential developments, many of which are more mature in development status than the District. In addition to competition for new home sales from other developments, there are numerous previously owned homes in more established neighborhoods and/or in more favorable locations closer to downtown Houston that have been or are on the market at prices comparable to prices of new and previously owned homes within the District. Such previously owned homes represent additional competition for new homes proposed to be sold within the District.

The development industry in the Houston area is competitive, and the District can give no assurance that any additional building and development of land within the District will be successfully implemented. Both the local demand for, and the relative performance of developers in the sale of residential lots and the performance of prospective home builders in the construction of single-family homes are affected by most of the factors discussed herein and will directly affect the growth and maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further residential construction within the District other than that which has already been built, the value of such land and improvements currently located within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$319,437 (2029). If no growth in value were to occur beyond the May 1, 2020, Estimated Taxable Value of \$46,233,455 based upon information as provided by FBCAD to the District, a \$0.73 total tax rate would be required. If no growth in value were to occur beyond the 2019 Taxable Value of \$26,116,941 based upon information as provided by FBCAD to the District, a \$1.29 total tax rate would be required. See "TAX DATA - Tax Adequacy for Debt Service."

Potential Effects of Oil Price Declines on the Houston Area

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past,

been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries 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. As previously stated, 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.

Developers and Landowners Under No Obligation to the District

There is no commitment by or legal requirement of the developers, or any other landowner in the District, to proceed at any particular rate or according to any specified plan with the development of land in the District, or for any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any developers or landowners right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and could result in higher tax rates. See "THE DISTRICT" and "THE DISTRICT'S DEVELOPER."

The developer is not responsible or liable for, and has not made any commitment for payment of, debt service on the Bonds. The developer's sole responsibility is to pay the ad valorem taxes levied by the District on its property. Further, the financial condition of the developers is subject to change at any time. Likewise, the developers may sell or otherwise dispose of their property within the District at any time.

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners Rights

The enforceability of the rights and remedies of the Registered Owners 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect

Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against the district.

Economic Factors

The maintenance and growth of taxable values in the District is directly related to the local housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions. A return of relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

The availability of mortgage and development funds has a direct impact on construction and building activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$29,715,000 principal amount of unlimited tax bonds for the purpose of providing waterworks, sanitary sewer, and drainage facilities to land within the District and for refunding bonds previously issued. Additionally, the District will have \$2,400,000 of unlimited tax and revenue bonds for new money purposes that will remain authorized but unissued. All of the remaining bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board, subject to the approval of the Attorney General of the State of Texas and the TCEQ (for the unlimited tax bonds and for unlimited tax and revenue bonds).

The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

Financing Parks and Recreational Facilities

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed \$0.10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of one percent (1%) or the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the project set forth in the park plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

The District has not considered calling an election for such purposes but could consider doing so in the future.

Current law may be changed in a manner to increase the amount of bonds which may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Subsidence and Conversion to Surface Water Supply

The District obtains its water supply from the City. The City's authority to pump groundwater is subject to an annual permit issued by the Fort Bend Subsidence District (the "Subsidence District"). The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the City and the District.

The Subsidence District's regulations requires the City, individually or collectively with other water users, to prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District by the applicable water well permit expiration date in the year 2010. The City has prepared a GRP and obtained certification from the Subsidence District. The Subsidence District's regulations further require the City individually or collectively with other water users to:

- Limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning October 2016; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning October 2025.

If the City fails to comply with the above Subsidence District regulations, the City will be subject to a \$8.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand. If the District failed to comply with surface water conversion requirements mandated by the City, the District would be subject to monetary or other penalties imposed by the City.

The City of Richmond completed construction of Phase I of a two million gallon per day (“MGD”) regional surface water treatment plant, which became operational March 15, 2018. The plant enables the City of Richmond to meet the Subsidence District regulations. The City of Richmond used groundwater credits to meet conversion requirements prior to the plant being completed.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. 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 utility district must comply may have an impact on the utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was renewed by the TCEQ on December 11, 2013. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The renewed MS4 Permit contains more stringent requirements than the standards contained in the previous MS4 Permit. The District has submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop and implement the required plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Unknown future costs associated with these compliance activities may be significant in the future. The TCEQ has published notice of a proposed renewal of the Phase II (Small) MS4 Permit that is intended to be issued prior to the December 12, 2018 expiration date of the current MS4 Permit.

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal 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. On April 21, 2020, the NWPR became 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.

Continuing Compliance with Certain Covenants

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

Marketability

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 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 such bonds are generally bought, sold or traded in the secondary market.

Hurricane Harvey

The Houston area (including Fort Bend County) sustained widespread rain and flooding damage as a result of Hurricane Harvey’s landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District’s Operator and the District’s Engineer, the District’s System did not sustain any significant damage and there was no interruption of water and sewer service. According to observations of the District’s Operator and the District Board Members, no homes in the District experienced flooding during Hurricane Harvey.

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. The greater Houston area, including the District, has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015. 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.

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

Inclement Weather

The District is located approximately 50 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered

by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Ponding (or Pluvial) Flooding - 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.

Reappraisal of Property

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District has not requested a reappraisal of property.

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.

Temporary Tax Exemptions for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse a developer for certain costs associated with the development of Riverwood Village, Section 4; (2) fund a lift station and costs associated with a lift station serving the District; (3) fund impact fees paid to the City of Richmond, Texas; (4) fund engineering fees related to number (1) and (2) above; (5) fund developer interest; (6) fund 12 months of capitalized interest; and (7) fund costs of issuance related to the sale of the Bonds.

The Engineer has advised the District that the proceeds listed in the table below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds as approved by the TCEQ is as follows

CONSTRUCTION COSTS	District's Share (a)
<i>Developer Contribution Items</i>	
Riverwood Village, Section 4 Clearing and Grubbing	\$46,942
Riverwood Village, Section 4 – W, WW, & D	\$1,235,538
Engineering and Testing (Item Nos. 1 & 2)	\$318,214
Stormwater Pollution Prevention Planning for Item No. 2	\$49,717
Total Developer Contribution Items	\$1,650,411
<i>District Items</i>	
Land Acquisition Costs for Riverwood Village Detention Pond	\$10,144
Riverwood Village Lift Station No. 3	\$636,389
Engineering for Item No. 2	\$71,952
Water and Wastewater Impact Fees for the City of Richmond	\$525,034
Total District Items	\$1,243,519
TOTAL CONSTRUCTION COSTS	\$2,893,930
 NON-CONSTRUCTION COSTS	
Legal Fees	\$96,625
Fiscal Agent Fees	\$73,300
Capitalized Interest	\$107,137
Developer Interest	\$172,351
District Operating Cost	\$60,000
Bond Discount	\$109,950
Bond Issuance Expenses	\$43,753
Attorney General Fee	\$3,665
TCEQ Bond Issuance Fee	\$9,163
Bond Application Report	\$46,512
Contingency	\$48,614 (b)
TOTAL NON-CONSTRUCTION COSTS	\$771,070
 TOTAL BOND ISSUE REQUIREMENT	 \$3,665,000

(a) TCEQ rules require, with certain exceptions that developers contribute to the District's construction program, a minimum of 30% of the construction costs of certain system facilities. The District received a waiver of the "30% Rule" from the TCEQ.

(b) Additionally, the TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement. Such funds may be used by the District only upon approval by the TCEQ.

THE DISTRICT

General:

The District is a municipal utility district created by the Texas Water Rights Commission, a predecessor to the TCEQ, on January 10, 1973, and confirmed at an election held within the District on August 3, 1973 by a vote of 2 "for" and 0 "against." The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code. The District is subject to the continuing supervision of the TCEQ. The District is empowered to finance, purchase, construct, own, 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.

Description:

The District is located in Fort Bend County approximately 30 miles southwest of the central business district of the City of Houston, Texas and adjacent to the City of Richmond, Texas. The District is bordered on the north by the Brazos River, on the west by Pleasant Gully, on the south by the Southern Pacific Railroad and is partially bordered on the east by an irrigation canal. The District encompasses approximately 174 acres, contained in the Riverwood Village, Sections 1, 3, 4, and 5 ("Riverwood Village") and undeveloped acreage. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Richmond. Ground elevations within the District range from 100 feet mean sea level ("MSL") in the southwest corner to 72 feet MSL in the southeast corner of the District. Drainage from the District generally flows into the Brazos River. According to the District's Engineer, there are approximately 19 acres that are either drainage easements or areas located within the 100-year flood plain.

Current Status of Residential Development in the District:

Approximate tabulation of the single-family residential development within the District as of June 1, 2020, is as follows:

	<u>Approximate Acreage</u>	<u>Total Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Riverwood Village, Section 1 (a)	41	180	176	0	4
Riverwood Village, Section 3 (b)	6	10	4	0	6
Riverwood Village, Section 4 (c)	58	120	120	0	0
Riverwood Village, Section 5 (d)	50	173	42	16	115
Other Areas (e)	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	174	483	342 (f)	16	125

(a) Represents approximately 130 homes built between 1980 – 1994; approximately 46 homes were constructed between 1994 and 1999.

(b) Homes in this section were constructed in 1976.

(c) Lots in this section were developed by the Developer in 2017 and 2018; homes were constructed during 2018 and 2019 by Lennar Homes and Castlerock Homes and were marketed in the \$200,000 - \$250,000 price range.

(d) Lots in this section were developed during 2019. Homes in this section are being constructed by Castlerock Homes and Anglia Homes and are being marketed in the \$225,000 - \$260,000 price range.

(e) Includes approximately 19 acres of undevelopable land consisting of drainage easements or flood plain acreage.

(f) As of June 1, 2020, approximately 333 homes in the District were occupied.

Management of the District

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. All of the directors reside within the District or own property in the District. Director elections are held only in odd-numbered years and the directors serve staggered four-year terms. The current members and officers of the Board, along with their titles are listed below

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Terry Roy	President	2024
Billy Revis	Vice President	2022
John Randall Gemmer	Secretary	2022
Carolyn Fields	Treasurer	2024
Alisa M. Williams	Director	2022

The District does not employ a general manager and does not have any employees. The District has contracted for utility system operations, bookkeeping, tax assessing and collecting, engineering, legal services, and annual auditing of its financial statements as follows

Tax Assessor/Collector - The District's tax assessor/Collector is Equi-Tax, Inc., who is engaged under annual contract and represents 75 other utility districts.

Bookkeeper - The District's bookkeeper is Claudia Redden & Associates, Inc., which acts as bookkeeper for approximately 36 other utility districts.

Auditor - The financial statements of the District as of May 31, 2019, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Utility System Operator - The District's operator is Municipal Operations & Consulting, Inc. Such firm acts as operator for approximately 115 other utility districts.

Engineer - The consulting engineer for the District is Jones & Carter, Inc. (the "Engineer").

Financial Advisor - The District has engaged The GMS Group, L.L.C. as financial advisor.

Legal Counsel - Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas serves as general counsel and bond counsel in connection with the issuance of bonds by the District.

Investments of the District

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

THE DISTRICT'S DEVELOPER

Role of the Developer

In general, activities of a developer in a municipal utility district such as the District include acquiring land for development; defining a marketing program; planning and scheduling development; securing adequate funds for development; arranging for design and construction of utilities, streets, amenities, and other improvements; participating in the procurement of necessary governmental permits and approvals, including creation of political subdivisions such as the District; and selling developed and undeveloped land to other developers, investors, and others. Ordinarily, the developer pays 100% of the costs of paving and amenity design and construction while the utility district finances certain costs of water supply and distribution, wastewater collection and treatment, and drainage facilities. The TCEQ rules generally require the developer to pay 30% of the cost of certain underground water distribution, wastewater collection, and drainage facilities. However developers in the district have qualified for 100% reimbursement in the past and the District anticipates that developers will try to qualify for 100% reimbursement in the future.

In addition, the developer is ordinarily the major taxpayer within a district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect taxes sufficient to pay debt service and retire bonds.

The Developer

The current developer of the land within the boundaries of the District is Riverwood Land, LLC, ("Riverwood") a Texas limited liability company, Riverwood is a subsidiary of Silvestri Investments, USA, Inc. ("Silvestri") which has been developing residential properties and commercial properties in the Houston area for over 40 years. Riverwood and Silvestri are collectively referred to herein as the Developer. The Developer has a management agreement with Glunt Investment and Development Co., Inc., a Texas corporation which is comprised of David R. Glunt. Mr. Glunt has been active in the Houston real estate market as a land developer for the past 40 years; Mr. Glunt is responsible for the day-to-day operating activities of the Developer including land planning, supervising land development activities, and the marketing/sale of lots to home builders.

FORT BEND COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 19



ALT. HWY 90



THE SYSTEM

Regulation

The District's water, wastewater and storm drainage facilities have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Richmond and Fort Bend County. According to the Engineer, the designs of all such facilities have been approved by all required governmental agencies. Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency, the TCEQ, the City of Richmond, Fort Bend County, and the Fort Bend County Subsidence District. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Sanitary Sewer Treatment Agreement

The District is situated within the extraterritorial jurisdiction of the City of Richmond, Texas. The City and the District executed an agreement (the "Agreement") dated April 28, 2008, which provides sanitary waste disposal capacity and water supply for the District. The District's Engineer has determined that the water supply volume and sewer treatment capacity to be provided to the District will be adequate to serve all future requirements of the District upon full development. The term of the Agreement is through April 28, 2038. The provisions of the Agreement require that the District's waterworks and sanitary sewer systems meet the City's standards, and that all plans for construction, reconstruction or repair of the District's systems are to receive prior written approval of the City. The District must also provide access for City inspection of any construction projects.

With regard to the water system, the City has agreed to deliver and sell to the District a supply of water not to exceed 185,000 gpd. The water is conveyed through a 12-inch cast iron water main which was constructed at the District's sole expense including right-of-way and interconnecting costs. Upon completion, the water main was conveyed without charge to the City which operates and maintains the line. The quantity of water delivered to the District is to be measured by a master meter. The District is charged water rates as provided in the Agreement.

The City has agreed to receive, treat and dispose of the District's waste in a volume not to exceed 185,000 gpd. Under the terms of the Agreement, the District constructed at its sole expense a 4-inch force main and a 15-inch sanitary sewer line which was conveyed by the District without charge to the City. The District is charged sewer rates by the City as provided for in the Agreement.

Water Distribution System

Proceeds from the sale of previously issued bonds and proceeds of the Bonds have been used and will be used to finance the construction of the District's water distribution system serving 105 acres in Riverwood Village, Sections 1, 3, and 4. Water distribution lines have also been extended to serve the 50 acres (173 lots) in Riverwood Village, Section 5; such facilities have been financed by advances made by the developer on behalf of the District. It's currently anticipated that additional Bonds will be sold by the District to finance such facilities at some point in time in the future. Additionally, previously issued bond proceeds were used to finance water distribution lines that connect to the City's water system; such lines were designed and constructed to serve the full build out of the District.

Sanitary Sewer Collection System

Proceeds from the sale of previously issued bonds and proceeds of the Bonds have been used and will be used to finance the construction of the District's wastewater collection system serving 105 acres in Riverwood Village, Sections 1, 3, and 4. Wastewater collection lines have also been extended to serve the 50 acres (173 lots) in Riverwood Village, Section 5; such facilities have been financed by advances made by the developer on behalf of the District. It's currently anticipated that additional Bonds will be sold by the District to finance such facilities at some point in time in the future. Additionally, previously issued bond proceeds were used to finance wastewater collection lines that connect to the City's wastewater treatment/collection system; such lines/force mains were designed and constructed to serve the full build out of the District.

Storm Drainage System

Storm sewer lines serving the District are designed to Fort Bend County and City of Richmond's standards which specify runoff calculations to be based on a 2-year frequency rainfall. Storm sewers were designed for full flow velocities of 3 fps or greater. According to the Engineer, there are approximately 19 acres that are either drainage easements or areas located within the 100-year flood plain.

Water and Wastewater Rates

The Board establishes the District's rates and fees for water and wastewater services, which are subject to change from time to time. The following rates became effective as of November 6, 2019.

- Water Service -

Single-family:		
First 3,000 gallons		\$61.89
Over 3,000 gallons		\$ 2.87 per 1,000 gallons
Surface Water Surcharge		\$ 2.42 per 1,000 gallons

- Sewer Service -

Single-family:		
First 3,000 gallons		\$60.91
Over 3,000 gallons		\$ 5.25 per 1,000 gallons

The District currently has relatively high water and sewer rates compared to other districts in the Fort Bend County and Harris County areas. Historically, the District has not experienced any difficulty in collecting water and sewer bills and has not written off any significant amount of uncollectable account receivables in the past. The District contracts for its water supply and wastewater treatment and therefore has no central plants that it is responsible for maintaining. If the District were to experience significant problems in its water distribution lines or its water collection lines that required costly repairs, it could cause a financial hardship on the District.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District, and not from operation revenues from the District's system. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

GENERAL FUND	Years Ended May 31 (a)				
	2019	2018	2017	2016	2015
REVENUES					
Property Taxes	\$47,807	\$22,210	\$20,304	\$18,214	
Water Service	\$176,140	\$139,720	\$136,410	\$134,606	\$133,561
Wastewater Service	\$187,874	\$149,661	\$148,320	\$144,544	\$142,339
Penalty and interest	\$10,389	\$9,514	\$10,032	\$9,880	\$10,035
Tap Connection and Inspection Fees	\$79,800	\$16,150			
Grant Revenues	\$175,681	\$30,065	\$94,847	\$193,569	\$38,624
Investment Revenues	\$1,002	\$630	\$199	\$77	\$63
Miscellaneous Revenues	\$3,403	\$7,573	\$2,658	\$3,413	\$2,545
TOTAL REVENUES	\$682,096	\$375,523	\$412,770	\$504,303	\$327,167
EXPENDITURES					
<i>Service operations</i>					
Professional Fees	\$57,547	\$37,290	\$33,322	\$31,430	\$41,201
Contracted Services	\$75,042	\$63,846	\$66,286	\$64,757	\$64,980
Purchased Services	\$93,269	\$76,761	\$96,451	\$108,024	\$100,152
Utilities	\$4,964	\$4,572	\$3,891	\$5,093	\$5,432
Repairs and maintenance	\$111,641	\$61,758	\$77,713	\$49,814	\$43,609
Other	\$100,378	\$58,526	\$38,602	\$38,053	\$43,358
Capital Outlay	\$175,681	\$30,065	\$96,141	\$178,367	\$57,720
TOTAL EXPENDITURES	\$618,522	\$332,818	\$412,406	\$475,538	\$356,452
EXCESS REVENUES (EXPENDITURES)	\$63,574	\$42,705	\$364	\$28,765	(\$29,285)
FUND BALANCE, BEGINNING OF YEAR	\$107,668	\$64,963	\$64,599	\$35,834	\$65,119
FUND BALANCE, END OF YEAR (b)	\$190,456	\$107,668	\$64,963	\$64,599	\$35,834

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of June 1, 2020, the District had an unaudited cash and investment balance in the General Fund of approximately \$159,260. For the fiscal year ending May 31, 2020, the District's General Fund is currently projecting revenues of approximately \$660,000 and expenditures of approximately \$660,000. For the fiscal year ending May 31, 2021, the District's General Fund is currently budgeting revenues of approximately \$645,000 and expenditures of approximately \$553,634.

DISTRICT DEBT
(Unaudited)

5/1/2020 Estimated Taxable Value	\$46,233,455	(a)
1/1/2020 Preliminary Taxable Value	\$41,623,966	(b)
2019 Taxable Value	\$26,116,941	(c)
Direct Debt		
Outstanding Bonds (as of July 1, 2020)	\$940,000	
The Bonds	<u>\$3,665,000</u>	
Total Direct Debt	\$4,605,000	
Estimated Overlapping Debt	<u>\$2,226,931</u>	
Direct and Estimated Overlapping Debt	\$6,831,931	
Percentage of Direct Debt to		
5/1/2020 Estimated Taxable Value	9.96%	
2019 Taxable Value	17.63%	
Percentage of Direct and Estimated Overlapping Debt to		
5/1/2020 Estimated Taxable Value	14.78%	
2019 Taxable Value	26.16%	
2019 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.95	
Maintenance Tax	<u>\$0.25</u>	
Total 2019 Tax Rate	\$1.20	
General Fund approximate cash balance as of 7/1/2020	\$230,141	(d)
Debt Service Fund approximate cash balance as of 7/1/2020	\$674,398	(e)

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- (a) Reflects data supplied by FBCAD. The Estimated Taxable Value as of May 1, 2020, was prepared by FBCAD and provided to the District. Such value is not binding on FBCAD, and any new values subsequent to January 1, 2020, will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by FBCAD during the second half of 2021. See "TAX DATA" and "TAX PROCEDURES."
- (b) Represents the preliminary determination of the assessed valuation of all taxable property within the District as of 1/1/2020, 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 "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Reflects data supplied by FBCAD. See "TAX DATA" and "TAX PROCEDURES."
- (d) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (e) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas, and certain other sources. 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, the amount of which cannot 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 for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	Overlapping Debt	
		<u>Percent</u>	<u>Amount</u>
Lamar Consolidated Independent School District	\$1,151,975,000	0.1691%	\$1,947,827
Fort Bend County	\$761,647,527	0.0366%	\$279,104
Total Estimated Overlapping Debt			\$2,226,931
The District's Direct Debt (a)			<u>\$4,605,000</u>
Total Direct and Estimated Overlapping Debt			\$6,831,931

(a) Includes the Bonds.

TAX DATA

Tax Collections

The following table sets forth the historical tax collection experience of the District for the tax years 2015 through 2019. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Collections Total (b)</u>	<u>Fiscal Year Ended September 30</u>
2019	\$26,116,941	\$1.20	\$312,936	94%	(c)
2018	\$16,071,563	\$1.20	\$192,859	98%	2019
2017	\$13,615,669	\$1.25	\$170,196	98%	2018
2016	\$12,557,765	\$1.27	\$159,484	99%	2017
2015	\$11,163,088	\$1.40	\$156,283	99%	2016

(a) See " – Tax Distribution" herein.

(b) The District's current tax collections have been equal to 96% or more each year for the past 10 years.

(c) The 2020 taxes are in the process of collections; such taxes were due on January 31, 2020. The figures above represent taxes collected as of June 30, 2020.

Tax Distribution

The following table sets forth the tax rate distribution of the District for the years 2015 through 2019.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.95	\$0.90	\$1.09	\$1.10	\$1.22
Maintenance/Operation	\$0.25	\$0.30	\$0.16	\$0.17	\$0.18
Total	\$1.20	\$1.20	\$1.25	\$1.27	\$1.40

Maintenance Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District's improvements. Such maintenance tax was initially authorized by the District's voters on May 5, 2015, as an unlimited maintenance tax rate. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future. The District levied such a maintenance tax in 2015 through and including 2019 and expects to levy a maintenance tax in the future.

Principal Taxpayers

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2019 certified tax roll of the Fort Bend County Appraisal District.

<u>Principal Taxpayers (a)</u>	<u>Type of Property</u>	<u>2019 A.V.</u>	<u>% of Total</u>
Riverwood Land LLC	Land & Improvements	\$1,218,160	4.66%
Castlerock Communities LP	Land & Improvements	\$316,800	1.21%
Homeowner	Residence	\$276,170	1.06%
Homeowner	Residence	\$268,340	1.03%
Lennar Homes of Texas Land & Const	Land & Improvements	\$261,810	1.00%
Homeowner	Residence	\$252,440	0.97%
Homeowner	Residence	\$239,090	0.92%
Centerpoint Energy Electric	Personal Property	\$213,570	0.82%
Homeowner	Residence	\$207,550	0.79%
Homeowner	Residence	<u>\$205,500</u>	<u>0.79%</u>
	TOTAL	\$3,459,430	13.25%

(a) The Reflects information obtained by the District's Tax Assessor/Collector from the FBCAD's records. The District makes no representation as to the accuracy of such information.

Analysis of Tax Base

Based on information provided to the District by FBCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the tax roll valuations for 2015 through 1/1/2019.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Less Exemptions</u>	<u>Taxable Valuation</u>	
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>				
5/1/2020						\$46,233,455	(a)
2019	\$6,824,430	\$19,390,180	\$356,670	\$26,571,280	\$454,339	\$26,116,941	
2018	\$5,294,170	\$11,904,150	\$241,490	\$17,439,810	\$1,368,247	\$16,071,563	
2017	\$2,926,790	\$11,430,370	\$253,849	\$14,611,009	\$995,340	\$13,615,669	
2016	\$2,938,030	\$10,469,810	\$242,810	\$13,650,650	\$1,092,885	\$12,557,765	
2015	\$2,937,200	\$8,463,955	\$243,750	\$11,644,905	\$481,817	\$11,163,088	

(a) Reflects data supplied by FBCAD. The Estimated Taxable Value as of May 1, 2020, was prepared by FBCAD and provided to the District. Such value is not binding on FBCAD, and any new values subsequent to January 1, 2020, will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by FBCAD during the second half of 2021. See "TAX PROCEDURES."

Tax Adequacy for Debt Service

The calculations shown below assume, solely for the purpose of illustration, no net revenues, no increase over the May 1, 2020 Estimated Taxable Value and the 2019 Taxable Value, both as provided by FBCAD, and use a tax rate adequate to service the District's total maximum debt service requirements following issuance of the Bonds. The available cash and investment balances in the debt service fund are not reflected in these computations.

Maximum Annual Debt Service Requirements (2029).....	\$319,437
\$0.73 Tax Rate on the 5/1/2020 Estimated Taxable Value of \$46,233,455 @ 95% collections produces	\$320,629
\$1.29 Tax Rate on the 2019 Taxable Value of \$26,116,941 @ 95% collections produces	\$320,063

Estimated Overlapping Taxes

The following table sets forth all 2019 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2019 Tax Rates</u>
Lamar Consolidated Independent School District	\$1.320000
Fort Bend County	\$0.444700
Fort Bend Drainage	\$0.015300
Overlapping Taxes	\$1.780000
The District	\$1.200000
Estimated Total Tax Rate	\$2.980000

TAX PROCEDURES

Tax Code and County-Wide Appraisal District

Under Texas law, including the Texas Tax Code (the "Tax Code"), there is established in each county in the state a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. By May 15 of each year or as soon thereafter as is practicable, the appraisal district is required to prepare appraisal records of property to be appraised as of January 1 of each year. The Tax Code generally requires appraisals at 100% of market value. A residence homestead is to be appraised solely on the basis of its value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. Property tax appraisals in the District are subject to review by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Taxpayers and, under certain circumstances, taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in state district court. Such review or appeals may delay the certification of taxable values and hence delay the levy and collection of taxes by the District. In the event of such an appeal, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll prepared by the Fort Bend County Appraisal District ("FBCAD") and approved by the Appraisal Review Board must be used by each taxing jurisdiction within Fort Bend County to establish its tax rolls and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Although the District is responsible for establishing tax rates and levying and collecting its taxes each year, under the system of county-wide tax appraisal implemented by the Tax Code, the District cannot establish appraisal standards or determine the frequency of revaluation or reappraisal. The Tax Code requires FBCAD to implement a plan for periodic reappraisal of property to update appraised values, and the plan must provide for reappraisal of all real property in the appraisal district at least once every three years. The District is eligible, along with all other conservation and reclamation districts within Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of FBCAD.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads 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. Effective January 1, 2018, this exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Effective January 1, 2018, 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. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the

cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

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

Tax Abatement

Fort Bend County or the City of Richmond may designate all or part of the area within the District as a reinvestment zone. Thereafter, neither the City of Richmond (after annexation), Fort Bend County, nor the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

On August 25, 2017, Hurricane Harvey ("Harvey") made landfall on the Texas Gulf Coast, severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Hurricane Harvey." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based on market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District did not request a reappraisal due to Harvey.

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 for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that 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 that are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Notice and Hearing Procedures

The Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The 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 over the previous year. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific

classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Low Tax Rate Districts

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

Developed Districts

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

Other Districts

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

The District

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

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all state and local taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the state and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property 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. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

ANNEXATION AND CONSOLIDATION

Generally, under Texas law, land within the District may be annexed by the City of Richmond without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. However, under legislation effective December 1, 2017, the City of Richmond may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the entire District is so annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City will ever annex the land within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of the City of Richmond to make debt service payments should assumption of the Bonds occur.

The District has the right to consolidate with one or more other municipal utility districts and in connection therewith to consolidate its system with the water and sewer systems of the district or districts with which it is consolidating. No representations are made that the District will ever consolidate its system with other systems.

THE BONDS

General

The Bonds are dated August 1, 2020. The Bonds will mature on December 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of 12 thirty-day months and will be payable on December 1, 2020, and each June 1 and December 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Authority for Issuance

The voters within the District have authorized the issuance of a total of \$37,485,000 of new money unlimited tax bonds payable from taxes or taxes and revenues. The Bonds constitute the fourth issue of unlimited tax bonds authorized by the District's voters in various elections held in the District. Subsequent to the sale of the Bonds, \$29,715,000 of unlimited tax bonds will remain authorized but unissued for new money and for refunding purposes. Additionally, the District will have \$2,400,000 of unlimited tax and revenue bonds for new money purposes that will remain authorized but unissued. The Bonds are issued by the District as unlimited tax bonds pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, the laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Texas Government Code Section 1207.

Optional Redemption

The Bonds maturing on or after December 1, 2026, are subject to redemption at the option of the District, prior to maturity, in whole or in part on December 1, 2025, or on any date thereafter, at a price of the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method, in integral multiples of \$5,000.

Mandatory Redemption

The Bonds maturing December 1 in the years 2029, 2031, 2033, 2035, 2037, 2040, 2043, and 2047 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$225,000 Term Bonds, due December 1, 2029

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2026	\$50,000
December 1, 2027	\$50,000
December 1, 2028	\$50,000
December 1, 2029 (maturity)	\$75,000

\$150,000 Term Bonds, due December 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2030	\$75,000
December 1, 2031 (maturity)	\$75,000

\$225,000 Term Bonds, due December 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2032	\$100,000
December 1, 2033 (maturity)	\$125,000

\$325,000 Term Bonds, due December 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2034	\$150,000
December 1, 2035 (maturity)	\$175,000

\$375,000 Term Bonds, due December 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2036	\$175,000
December 1, 2037 (maturity)	\$200,000

\$625,000 Term Bonds, due December 1, 2040

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2038	\$200,000
December 1, 2039	\$200,000
December 1, 2040 (maturity)	\$225,000

\$675,000 Term Bonds, due December 1, 2043

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2041	\$225,000
December 1, 2042	\$225,000
December 1, 2043 (maturity)	\$225,000

\$990,000 Term Bonds, due December 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
December 1, 2044	\$225,000
December 1, 2045	\$250,000
December 1, 2046	\$255,000
December 1, 2046 (maturity)	\$260,000

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

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

Sources of and Security for Payment

The Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

Defeasance

The District's pledge of taxes and all other covenants in the Bond Order, except the covenant to pay principal of and interest on the Bonds to maturity or redemption, will terminate when payment of such principal and interest has been provided for by depositing with the Paying Agent/Registrar money or direct obligations of the United States of America maturing on such dates and in such amounts as will be sufficient, without further investment, to make such payment of principal of and interest on the Bonds.

Funds

The Bond Order confirms the previous establishment of the District's Debt Service Fund created and established pursuant to the orders authorizing the issuance of the Outstanding Bonds. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any of the District's Outstanding Bonds or any duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt

If authorized by the District's voters, and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." The District's voters have authorized the issuance of \$37,485,000 principal amount of unlimited tax bonds (of which \$29,715,000 remain unissued subsequent to the sale of the Bonds) for the purpose of providing waterworks, sanitary sewer, and drainage facilities to land within the District and for refunding bonds previously issued by the District. Additionally, the District will have \$2,400,000 of unlimited tax and revenue bonds for new money purposes that will remain authorized but unissued. See "RISK FACTORS - Future Debt." The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, combination unlimited tax and revenue bonds, revenue bonds, inferior lien bonds and refunding bonds.

Registration, Transfer, and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds will be exchangeable for an equal principal amount of Bonds of the same type, maturity, and

interest rate, in any authorized denomination. 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. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 30 calendar days.

Replacement of Mutilated, Lost or Stolen 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, upon 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.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Securities 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 securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners.

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

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

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

All payments on the Securities 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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 Securities 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, securities are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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

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

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

LEGAL MATTERS

Legal Opinion

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel ("Bond Counsel"), the effect that based upon an examination of such transcript the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the taxable property within the District. The District will also furnish the approving legal opinion of Bond Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, as is described under "TAX MATTERS" below.

Legal Review

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P., has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT," "TAX PROCEDURES," "ANNEXATION AND CONSOLIDATION," "THE BONDS," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purposes 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 of the information contained herein. The legal fees to be 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 on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or, to the knowledge of the signatories, 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 Underwriters to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the District will rely upon certain information and representations of the District, including information and representations contained in the District's federal tax certificate and covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the Refunded Bonds and the property financed or refinanced therewith.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations other than "specified private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution.

The District designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District covenants to take such action which would assure, or to refrain from such action which would adversely affect the treatment of the Bonds, as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded however the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, FBCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

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

Consultants

Financial Advisor: The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"); such firm was employed in 1999 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and such fees are contingent on the sale and delivery of the Bonds. In approving this Official Statement, the District has relied upon the following consultants

Engineer: The information contained in this Official Statement relating to engineering matters generally, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS --Future Debt," "THE DISTRICT," and "THE SYSTEM" has been provided by the District's Engineer.

Tax Assessor Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Fort Bend County Appraisal District and by Utility Tax Service, LLC, Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax appraisal and tax assessing and collecting, respectively.

Auditors: The financial statements of the District as of May 31, 2019, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Updating of Official Statement

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period" {as defined in SEC Rule 15c(2)-12(e)(2)}, if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events.

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the District of the general type under "Tax Data" included in this Official Statement in "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending after 2020. The District will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if it

commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order 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 current fiscal year end is currently May 31. Accordingly, it must provide updated information by November 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of Rule15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties. In regards to (15) and (16) above, "financial obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) 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, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, 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 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 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 SEC Rule 15c2-12, 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 Underwriter 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

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

CERTIFICATION OF OFFICIAL STATEMENT

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 19 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE YEAR ENDED MAY 31, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	29
SUPPLEMENTARY INFORMATION - REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	31-33
GENERAL FUND EXPENDITURES	34-35
INVESTMENTS	36
TAXES LEVIED AND RECEIVABLE	37-38
LONG-TERM DEBT SERVICE REQUIREMENTS	39
CHANGES IN LONG-TERM BOND DEBT	40-41
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	42-45
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	46-47

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal Utility District No. 19
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. 19 (the "District"), as of and for the year ended May 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.

Board of Directors
Fort Bend County Municipal
Utility District No. 19

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 May 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 2, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

Management’s discussion and analysis of Fort Bend County Municipal Utility District No. 19’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended May 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 like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, 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 expenditures are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 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 explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,721,782 as of May 31, 2019.

A portion of the District's net position reflects its net investment in capital assets (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 within the District.

The following is a comparative analysis of the Statement of Net Position as of May 31, 2019, and May 31, 2018.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 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	\$ 1,385,158	\$ 1,194,545	\$ 190,613
Capital Assets (Net of Accumulated Depreciation)	3,926,551	3,850,831	75,720
Total Assets	\$ 5,311,709	\$ 5,045,376	\$ 266,333
Due to Developer	\$ 2,381,669	\$ 2,381,669	\$
Long-Term Liabilities	1,010,000	1,080,000	70,000
Other Liabilities	198,258	84,152	(114,106)
Total Liabilities	\$ 3,589,927	\$ 3,545,821	\$ (44,106)
Net Position:			
Net Investment in Capital Assets	\$ 887,582	\$ 770,967	\$ 116,615
Restricted	640,817	618,377	22,440
Unrestricted	193,383	110,211	83,172
Total Net Position	\$ 1,721,782	\$ 1,499,555	\$ 222,227

The following table provides a comparative analysis of the District's operations for the years ending May 31, 2019, and May 31, 2018.

	Summary of Changes in the Statement of Activities		
	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 192,677	\$ 170,461	\$ 22,216
Charges for Services	460,957	321,194	139,763
Other Revenues	198,882	49,794	149,088
Total Revenues	\$ 852,516	\$ 541,449	\$ 311,067
Expenses for Services	630,289	738,219	107,930
Change in Net Position	\$ 222,227	\$ (196,770)	\$ 418,997
Net Position, Beginning of Year	1,499,555	1,696,325	(196,770)
Net Position, End of Year	\$ 1,721,782	\$ 1,499,555	\$ 222,227

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were \$1,179,952, an increase of \$78,617 from the prior year.

The General Fund fund balance increased by \$82,788, primarily due to service and grant revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance increased by \$24,934, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$29,105, primarily due to transfers to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$263,646 more than budgeted revenues primarily due to grant revenues which were not budgeted. Actual expenditures were \$228,257 more than budgeted expenditures primarily due to capital outlay costs which were not budgeted.

CAPITAL ASSETS

Capital assets as of May 31, 2019, total \$3,926,551 (net of accumulated depreciation) and include land, as well as the water and wastewater systems. Significant capital asset activity during the current fiscal year included: construction and engineering costs for engineering and construction costs for Phase V of the Riverwood Village Subdivision water line replacement projects and engineering costs for Phase VI of the Riverwood Village Subdivision water line replacement projects.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 76,809	\$ 30,065	\$ 46,744
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,277,970	1,165,343	112,627
Wastewater System	2,571,772	2,655,423	(83,651)
Total Net Capital Assets	\$ 3,926,551	\$ 3,850,831	\$ 75,720

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

LONG-TERM DEBT ACTIVITY

As of May 31, 2019, the District had total bond debt payable of \$1,010,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$ 1,080,000
Less: Bond Principal Paid	<u>70,000</u>
Bond Debt Payable, May 31, 2019	<u><u>\$ 1,010,000</u></u>

The District's Series 2004 bonds have no insured rating and the District does not carry an underlying rating.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the 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. 19, c/o Smith, Murdaugh, Little & Bonham, L.L.P., 2727 Allen Parkway, Suite 1100, Houston, TX 77019.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 172,045	\$ 49,570
Investments	47,521	565,854
Cash with Paying Agent		28,314
Receivables:		
Property Taxes	2,927	22,832
Penalty and Interest on Delinquent Taxes		
Service Accounts	50,819	
Other	2,725	
Due from Other Funds	5,534	
Prepaid Costs	3,539	
Due from Fort Bend County	76,809	
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 361,919	\$ 666,570

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>
\$ 16,685	\$ 238,300	\$	\$ 238,300
336,015	949,390		949,390
	28,314		28,314
	25,759		25,759
		9,503	9,503
	50,819		50,819
	2,725		2,725
	5,534	(5,534)	
	3,539		3,539
	76,809		76,809
		76,809	76,809
		3,849,742	3,849,742
<u>\$ 352,700</u>	<u>\$ 1,381,189</u>	<u>\$ 3,930,520</u>	<u>\$ 5,311,709</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 132,531	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		5,534
Due to Taxpayers		1,408
Security Deposits	31,505	
Unearned Tap Revenue	4,500	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 168,536	\$ 6,942
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 2,927	\$ 22,832
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 3,539	\$
Restricted for Authorized Construction		
Restricted for Debt Service		636,796
Unassigned	186,917	
TOTAL FUND BALANCES	\$ 190,456	\$ 636,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 361,919	\$ 666,570
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>
\$	\$ 132,531	\$	\$ 132,531
		28,314	28,314
		2,381,669	2,381,669
	5,534	(5,534)	
	1,408		1,408
	31,505		31,505
	4,500		4,500
		70,000	70,000
		940,000	940,000
<u>\$ -0-</u>	<u>\$ 175,478</u>	<u>\$ 3,414,449</u>	<u>\$ 3,589,927</u>
<u>\$ -0-</u>	<u>\$ 25,759</u>	<u>\$ (25,759)</u>	<u>\$ -0-</u>
\$	\$ 3,539	\$ (3,539)	\$
352,700	352,700	(352,700)	
	636,796	(636,796)	
	186,917	(186,917)	
<u>\$ 352,700</u>	<u>\$ 1,179,952</u>	<u>\$ (1,179,952)</u>	<u>\$ - 0 -</u>
<u>\$ 352,700</u>	<u>\$ 1,381,189</u>		
		\$ 887,582	\$ 887,582
		640,817	640,817
		193,383	193,383
		<u>\$ 1,721,782</u>	<u>\$ 1,721,782</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds	\$	1,179,952
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,926,551
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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.		35,262
--	--	--------

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	\$ (2,381,669)	
Accrued Interest Payable	(28,314)	
Bonds Payable	<u>(1,010,000)</u>	<u>(3,419,983)</u>

Total Net Position - Governmental Activities	\$	<u><u>1,721,782</u></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. 19
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 47,807	\$ 149,256
Water Service	176,140	
Wastewater Service	187,874	
Penalty and Interest	10,389	6,298
Tap Connection and Inspection Fees	79,800	
Grant Revenues	175,681	
Investment Revenues	1,002	11,827
Miscellaneous Revenues	3,403	5
	<u>\$ 682,096</u>	<u>\$ 167,386</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 57,547	\$ 1,840
Contracted Services	75,042	7,283
Purchased Services	93,269	
Utilities	4,964	
Repairs and Maintenance	111,641	
Depreciation		
Other	100,378	3,061
Capital Outlay	175,681	
Debt Service:		
Bond Principal		70,000
Bond Interest		60,268
	<u>\$ 618,522</u>	<u>\$ 142,452</u>
TOTAL EXPENDITURES/EXPENSES		
	<u>\$ 618,522</u>	<u>\$ 142,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 63,574</u>	<u>\$ 24,934</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	<u>\$ 19,214</u>	<u>\$</u>
NET CHANGE IN FUND BALANCES	<u>\$ 82,788</u>	<u>\$ 24,934</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2018	<u>107,668</u>	<u>611,862</u>
FUND BALANCES/NET POSITION - MAY 31, 2019	<u>\$ 190,456</u>	<u>\$ 636,796</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 197,063	\$ (4,386)	\$ 192,677
	176,140		176,140
	187,874		187,874
	16,687	456	17,143
	79,800		79,800
	175,681		175,681
6,964	19,793		19,793
	3,408		3,408
\$ 6,964	\$ 856,446	\$ (3,930)	\$ 852,516
\$	\$ 59,387	\$	\$ 59,387
	82,325		82,325
	93,269		93,269
	4,964		4,964
	111,641		111,641
	103,515	116,740	116,740
76	192,460	(192,460)	103,515
16,779			
	70,000	(70,000)	
	60,268	(1,820)	58,448
\$ 16,855	\$ 777,829	\$ (147,540)	\$ 630,289
\$ (9,891)	\$ 78,617	\$ 143,610	\$ 222,227
\$ (19,214)	\$	\$	\$
\$ (29,105)	\$ 78,617	\$ (78,617)	\$
		222,227	222,227
381,805	1,101,335	398,220	1,499,555
\$ 352,700	\$ 1,179,952	\$ 541,830	\$ 1,721,782

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$	78,617
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		(4,386)
Governmental funds report penalty and interest revenues on property taxes when collected. However, in the Statement of Activities, revenues are recorded when penalty and interest are assessed.		456
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.		(116,740)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets, net of assets conveyed to other entities for ownership, are increased by new purchases and the Statement of Activities is not affected.		192,460
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		70,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		1,820
Change in Net Position - Governmental Activities	\$	<u>222,227</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 19 (“the District”) was created effective January 10, 1973, by an order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (“the Commission”). The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks and wastewater facilities and to provide such facilities and services to the customers of the District. The Board of Directors held its first meeting on July 16, 1973, and the first bonds were issued on May 14, 1979.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

- 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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 of the government-wide Statement of Activities.

Fund Financial Statements

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

Governmental Funds

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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 of 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.

Capital Assets

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$25,000 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
All Other Equipment	5-20

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 current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

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

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 funds types 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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

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

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

	June 1, 2018	Additions	Retirements	May 31, 2019
Bonds Payable	<u>\$ 1,080,000</u>	<u>\$ -0-</u>	<u>\$ 70,000</u>	<u>\$ 1,010,000</u>
		Amount Due Within One Year		\$ 70,000
		Amount Due After One Year		<u>940,000</u>
		Bonds Payable		<u>\$ 1,010,000</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2004
Amounts Outstanding – May 31, 2019	\$ 1,010,000
Interest Rates	5.25% - 5.75%
Maturity Dates – Serially Beginning/Ending	December 1, 2019/2029
Interest Payment Dates	June 1/December 1
Callable Dates	December 1, 2014*

* On any other date thereafter, callable at par plus accrued interest to the date of redemption

As of May 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 70,000	\$ 56,628	\$ 126,628
2021	75,000	52,952	127,952
2022	80,000	48,940	128,940
2023	85,000	44,580	129,580
2024	90,000	39,862	129,862
2025-2029	525,000	117,302	642,302
2030	85,000	4,888	89,888
	\$ 1,010,000	\$ 365,152	\$ 1,375,152

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount, and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and wastewater system. At May 31, 2019, the District had \$39,795,000 in authorized but unissued tax bonds and \$27 in refunding bonds.

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.90 per \$100 of assessed valuation, which resulted in a tax levy of \$144,644 on the adjusted taxable valuation of \$16,071,563 for the 2018 tax year. The bond order requires the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date - October 1, or as soon thereafter as practicable.

Lien Date - January 1.

Due Date - Not later than January 31.

Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond 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 immunity to which the District may be entitled.

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.

In the bond order, the District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on investment of the gross proceeds of Bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each use.

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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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 \$238,300 and the bank balance was \$236,635. 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 May 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 172,045
DEBT SERVICE FUND	49,570
CAPITAL PROJECTS FUND	16,685
TOTAL DEPOSITS	\$ 238,300

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.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

As of May 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexPool	\$ 47,521	\$ 47,521
<u>DEBT SERVICE FUND</u>		
TexPool	565,854	565,854
<u>CAPITAL PROJECTS FUND</u>		
TexPool	336,015	336,015
TOTAL INVESTMENTS	\$ 949,390	\$ 949,390

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2019, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District.

Restrictions

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended May 31, 2019:

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 30,065	\$ 192,460	\$ 145,716	\$ 76,809
Capital Assets Subject to Depreciation				
Water System	\$ 1,354,142	\$ 145,716	\$	\$ 1,499,858
Wastewater System	3,551,474			3,551,474
Total Capital Assets				
Subject to Depreciation	\$ 4,905,616	\$ 145,716	\$ -0-	\$ 5,051,332
Accumulated Depreciation				
Water System	\$ 188,799	\$ 33,089	\$	\$ 221,888
Wastewater System	896,051	83,651		979,702
Total Accumulated Depreciation	\$ 1,084,850	\$ 116,740	\$ -0-	\$ 1,201,590
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 3,820,766	\$ 28,976	\$ -0-	\$ 3,849,742
Total Capital Assets, Net of Accumulated Depreciation	\$ 3,850,831	\$ 221,436	\$ 145,716	\$ 3,926,551

NOTE 7. MAINTENANCE TAX

On May 9, 2015, the voters of the District approved the levy and collection of a maintenance tax at an unlimited rate on all property subject to taxation within the District. During the year ended May 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$48,215 on the adjusted taxable valuation of \$16,071,563 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District’s waterworks and sanitary sewer system.

NOTE 8. CONTRACTS WITH THE CITY OF RICHMOND

On April 28, 2008, the District entered into a water supply and wastewater services contract with the City of Richmond (the “City”). The contract was amended on February 3, 2010. Under the terms of the 30-year contract, as amended, the District has 63,000 gallons per day in both water and wastewater capacity. Currently, the District pays the City rates of \$1.47 per 1,000 gallons for water and \$4.52 per 1,000 gallons for wastewater services. In addition, the District pays the City \$2.20 per 1,000 gallons of water usage for participation in the City’s Groundwater Reduction Plan. During the year, the District paid \$93,269 for purchased services.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 8. CONTRACTS WITH THE CITY OF RICHMOND (Continued)

The District entered into a Fire Protection Agreement with the City effective January 1, 2014. The City provides fire protection services to District persons, buildings and property located within the City's extraterritorial jurisdiction. The term of the agreement is 15 years and is automatically renewed for successive one-year terms. Under the terms of the agreement the District makes monthly payments of \$13.95 for each residential unit in the District that is connected to the public water supply system. During the current fiscal year, the District recorded fire protection expenditures of \$30,871.

NOTE 9. COMMUNITY DEVELOPMENT BLOCK GRANT

The District and Fort Bend County submitted a Community Development Block Grant application in the amount of \$105,600 for Phase V water system improvements within the District. The application was approved by the U.S. Department of Housing and Urban Development. During the current year, the District received \$75,535 related to this grant for a total of \$105,600. This project has been completed.

The District and Fort Bend County submitted a Community Development Block Grant application in the amount of \$132,804 for Phase VI water system improvements within the District. The application was approved by the U.S. Department of Housing and Urban Development. Payments under the Grant will be made by the County upon receipt of invoices from the District. During the current year, the District received \$23,337 and recorded as receivable \$76,809 related to this grant. As of May 31, 2019, this project is in progress.

The District has recorded total grant revenue of \$175,681 for the current year, and \$76,809 as receivable at year end.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

As of May 31, 2019, the General Fund recorded a receivable of \$5,534 from the Debt Service Fund: \$3,672 for maintenance tax collections and \$1,862 for interest revenues.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 12. UNREIMBURSED COSTS

The District executed development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities. As of May 31, 2019, \$2,381,669 had been expended on behalf of the District for completed projects. This amount has been recorded as a liability in the Statement of Net Position.

NOTE 13. PENDING BOND APPLICATION

Subsequent to year end, on June 6, 2019, the District submitted a bond application for \$3,665,000 of Series 2019 Unlimited Tax Bonds. Proceeds will be used to: reimburse a developer engineering and construction costs related to water, sanitary sewer, and drainage facilities to serve Riverwood Village, Section 4; purchase land; engineering and construction costs for lift station no. 3; to pay City of Richmond impact fees; operating costs; capitalized interest; and costs of issuing the bonds.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 20,000	\$ 47,807	\$ 27,807
Water Service	140,000	176,140	36,140
Wastewater Service	150,000	187,874	37,874
Penalty and Interest	10,000	10,389	389
Tap Connection and Inspection Fees	95,000	79,800	(15,200)
Grant Revenues		175,681	175,681
Investment Revenues	700	1,002	302
Miscellaneous Revenues	<u>2,750</u>	<u>3,403</u>	<u>653</u>
TOTAL REVENUES	<u>\$ 418,450</u>	<u>\$ 682,096</u>	<u>\$ 263,646</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 39,000	\$ 57,547	\$ (18,547)
Contracted Services	69,190	75,042	(5,852)
Purchased Services	105,000	93,269	11,731
Utilities	4,500	4,964	(464)
Repairs and Maintenance	60,000	111,641	(51,641)
Other	112,575	100,378	12,197
Capital Outlay		<u>175,681</u>	<u>(175,681)</u>
TOTAL EXPENDITURES	<u>\$ 390,265</u>	<u>\$ 618,522</u>	<u>\$ (228,257)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 28,185</u>	<u>\$ 63,574</u>	<u>\$ 35,389</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	<u>\$ -0-</u>	<u>\$ 19,214</u>	<u>\$ 19,214</u>
NET CHANGE IN FUND BALANCE	\$ 28,185	\$ 82,788	\$ 54,603
FUND BALANCE - JUNE 1, 2018	<u>107,668</u>	<u>107,668</u>	<u></u>
FUND BALANCE - MAY 31, 2019	<u>\$ 135,853</u>	<u>\$ 190,456</u>	<u>\$ 54,603</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):

Based on the rate order effective June 6, 2018.

	<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:	\$ 61.00	3,000	N	\$ 2.75	3,001 and up
WASTEWATER:	\$ 60.91	3,000	N	\$ 5.25	3,001 and up

District employs winter averaging for wastewater usage?

 X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$80.25 Wastewater: \$97.66 Surcharge: \$-0-

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
SERVICES AND RATES
FOR THE YEAR ENDED MAY 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>175</u>	<u>162</u>	x 1.0	<u>162</u>
1"	<u>111</u>	<u>111</u>	x 2.5	<u>278</u>
1½"			x 5.0	
2"			x 8.0	
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>286</u></u>	<u><u>273</u></u>		<u><u>440</u></u>
Total Wastewater Connections	<u><u>284</u></u>	<u><u>271</u></u>	x 1.0	<u><u>271</u></u>

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

Leaks and flushing:	971,000	Water Accountability Ratio: 100% (Gallons billed and maintenance/Gallons pumped)
Gallons billed to customers:	12,831,000	
Total gallons purchased:	13,802,000	From: <u>City of Richmond</u>

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019**

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely Partly Not at all

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

Entirely Partly Not at all

ETJ in which District is located:

City of Richmond, Texas

Is the general membership of the Board appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 10,250
Engineering	27,798
Legal	<u>19,499</u>
TOTAL PROFESSIONAL FEES	<u>\$ 57,547</u>
PURCHASED WATER AND SEWER SERVICES	<u>\$ 93,269</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 6,350
Operations and Billing	<u>9,857</u>
TOTAL CONTRACTED SERVICES	<u>\$ 16,207</u>
UTILITIES:	
Electricity	\$ 4,348
Telephone	<u>616</u>
TOTAL UTILITIES	<u>\$ 4,964</u>
REPAIRS AND MAINTENANCE	<u>\$ 111,641</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 8,250
Insurance	5,708
Office Supplies and Postage	11,918
Payroll Taxes	631
Other	<u>3,762</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 30,269</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

CAPITAL OUTLAY	\$ 175,681
TAP CONNECTIONS	\$ 41,825
SOLID WASTE DISPOSAL	\$ 27,964
FIRE FIGHTING	\$ 30,871
OTHER EXPENDITURES:	
Laboratory Fees	\$ 10,079
Permit Fees	451
Reconnection Fees	5,362
Inspection Fees	10,585
Regulatory Assessment	1,807
TOTAL OTHER EXPENDITURES	\$ 28,284
TOTAL EXPENDITURES	\$ 618,522

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
INVESTMENTS
MAY 31, 2019

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 47,521	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 565,854	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 336,015	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 949,390</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
JUNE 1, 2018	\$	2,543		\$ 27,602
Adjustments to Beginning				
Balance		<u>(24)</u>	\$ 2,519	<u>(158)</u> \$ 27,444
Original 2018 Tax Levy	\$	48,215		\$ 144,644
Adjustment to 2018 Tax Levy		<u>48,215</u>		<u>144,644</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 50,734		\$ 172,088
 TAX COLLECTIONS:				
Prior Years	\$	1,509		\$ 10,362
Current Year		<u>46,298</u>	<u>47,807</u>	<u>138,894</u> <u>149,256</u>
 TAXES RECEIVABLE -				
MAY 31, 2019		<u>\$ 2,927</u>		<u>\$ 22,832</u>
 TAXES RECEIVABLE BY				
YEAR:				
2018		\$ 1,917		\$ 5,750
2017		463		3,153
2016		339		2,196
2015		208		1,414
2014				1,406
2013				1,383
2012 and prior				<u>7,530</u>
TOTAL		<u>\$ 2,927</u>		<u>\$ 22,832</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 5,294,170	\$ 2,926,790	\$ 2,938,030	\$ 2,937,200
Improvements	10,647,230	10,560,770	9,491,860	8,073,190
Personal Property	241,490	246,699	232,610	232,530
Exemptions	(111,327)	(102,110)	(89,425)	(86,332)
TOTAL PROPERTY VALUATIONS	\$ 16,071,563	\$ 13,632,149	\$ 12,573,075	\$ 11,156,588
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.90	\$ 1.09	\$ 1.10	\$ 1.22
Maintenance	0.30	0.16	0.17	0.18
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.20	\$ 1.25	\$ 1.27	\$ 1.40
ADJUSTED TAX LEVY*	\$ 192,859	\$ 170,402	\$ 159,678	\$ 156,192
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	96.02 %	97.88 %	98.41 %	98.96 %

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

Maintenance Tax – Maximum tax rate in an unlimited amount per \$100 of assessed valuation approved by voters on May 9, 2015.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 0 4			
Due During Fiscal Years Ending May 31	Principal Due December 1	Interest Due June 1/ December 1	Total
2020	\$ 70,000	\$ 56,628	\$ 126,628
2021	75,000	52,952	127,952
2022	80,000	48,940	128,940
2023	85,000	44,580	129,580
2024	90,000	39,862	129,862
2025	95,000	34,822	129,822
2026	100,000	29,455	129,455
2027	105,000	23,755	128,755
2028	110,000	17,770	127,770
2029	115,000	11,500	126,500
2030	85,000	4,888	89,888
	\$ 1,010,000	\$ 365,152	\$ 1,375,152

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Fort Bend County Municipal Utility District No. 19 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds - Series 2004	<u>\$ 1,615,000</u>	<u>\$ 1,080,000</u>

Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 42,395,000	\$ 625,000
Amount Issued	<u>2,600,000</u>	<u>624,973</u>
Remaining to be Issued	<u>\$ 39,795,000</u>	<u>\$ 27</u>

Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2019:	<u>\$ 643,738</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 125,014</u>

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ - 0 -</u>	<u>\$ 70,000</u>	<u>\$ 60,268</u>	<u>\$ 1,010,000</u>	Wells Fargo Bank, N.A. Minneapolis, MN

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 47,807	\$ 22,210	\$ 20,304
Water Service	176,140	139,720	136,410
Wastewater Service	187,874	149,661	148,320
Penalty and Interest	10,389	9,514	10,032
Tap Connection and Inspection Fees	79,800	16,150	
Grant Revenues	175,681	30,065	94,847
Investment Revenues	1,002	630	199
Miscellaneous Revenues	3,403	7,573	2,658
TOTAL REVENUES	\$ 682,096	\$ 375,523	\$ 412,770
EXPENDITURES			
Professional Fees	\$ 57,547	\$ 37,290	\$ 33,322
Contracted Services	75,042	63,846	66,286
Purchased Services	93,269	76,761	96,451
Utilities	4,964	4,572	3,891
Repairs and Maintenance	111,641	61,758	77,713
Other	100,378	58,526	38,602
Capital Outlay	175,681	30,065	96,141
TOTAL EXPENDITURES	\$ 618,522	\$ 332,818	\$ 412,406
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 63,574	\$ 42,705	\$ 364
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ 19,214	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 82,788	\$ 42,705	\$ 364
BEGINNING FUND BALANCE	107,668	64,963	64,599
ENDING FUND BALANCE	\$ 190,456	\$ 107,668	\$ 64,963

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 18,214	\$	7.0 %	5.9 %	4.9 %	3.6 %	%
134,606	133,561	25.8	37.2	33.0	26.6	40.8
144,544	142,339	27.5	39.9	36.0	28.7	43.5
9,880	10,035	1.5	2.5	2.4	2.0	3.1
		11.7	4.3			
193,569	38,624	25.8	8.0	23.0	38.4	11.8
77	63	0.2	0.2	0.1		
3,413	2,545	0.5	2.0	0.6	0.7	0.8
<u>\$ 504,303</u>	<u>\$ 327,167</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 31,430	\$ 41,201	8.4 %	9.9 %	8.1 %	6.2 %	12.6 %
64,757	64,980	11.0	17.0	16.1	12.8	19.9
108,024	100,152	13.7	20.4	23.4	21.4	30.6
5,093	5,432	0.7	1.2	0.9	1.0	1.7
49,814	43,609	16.4	16.4	18.8	9.9	13.3
38,053	43,358	14.7	15.6	9.4	7.5	13.3
<u>178,367</u>	<u>57,720</u>	<u>25.8</u>	<u>8.0</u>	<u>23.3</u>	<u>35.4</u>	<u>17.6</u>
<u>\$ 475,538</u>	<u>\$ 356,452</u>	<u>90.7 %</u>	<u>88.5 %</u>	<u>100.0 %</u>	<u>94.2 %</u>	<u>109.0 %</u>
\$ 28,765	\$ (29,285)	9.3 %	11.5 %	0.0 %	5.8 %	(9.0) %
\$ - 0 -	\$ - 0 -					
\$ 28,765	\$ (29,285)					
35,834	65,119					
<u>\$ 64,599</u>	<u>\$ 35,834</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 149,256	\$ 150,625	\$ 147,156
Penalty and Interest	6,298	5,549	19,144
Investment Revenues	11,827	8,012	2,437
Miscellaneous Revenues	5		
TOTAL REVENUES	\$ 167,386	\$ 164,186	\$ 168,737
EXPENDITURES			
Tax Collection Expenditures	\$ 11,684	\$ 10,124	\$ 10,854
Debt Service Principal	70,000	65,000	60,000
Debt Service Interest and Fees	60,768	64,082	67,052
TOTAL EXPENDITURES	\$ 142,452	\$ 139,206	\$ 137,906
NET CHANGE IN FUND BALANCE	\$ 24,934	\$ 24,980	\$ 30,831
BEGINNING FUND BALANCE	611,862	586,882	556,051
ENDING FUND BALANCE	\$ 636,796	\$ 611,862	\$ 586,882
TOTAL ACTIVE RETAIL WATER CONNECTIONS	273	192	172
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	271	192	172

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 139,175	\$ 144,353	89.2 %	91.7 %	87.3 %	91.3 %	94.0 %
11,820	9,077	3.7	3.4	11.3	7.8	5.9
866	176	7.1	4.9	1.4	0.6	0.1
389					0.3	
<u>\$ 152,250</u>	<u>\$ 153,606</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 9,878	\$ 9,294	7.0 %	6.2 %	6.4 %	6.5 %	6.1 %
60,000	5,000	41.8	39.6	35.6	39.4	3.3
69,933	70,165	36.3	39.0	39.7	45.9	45.7
<u>\$ 139,811</u>	<u>\$ 84,459</u>	<u>85.1 %</u>	<u>84.8 %</u>	<u>81.7 %</u>	<u>91.8 %</u>	<u>55.1 %</u>
\$ 12,439	\$ 69,147	14.9 %	15.2 %	18.3 %	8.2 %	44.9 %
<u>543,612</u>	<u>474,465</u>					
<u>\$ 556,051</u>	<u>\$ 543,612</u>					
<u>171</u>	<u>166</u>					
<u>171</u>	<u>166</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

District Mailing Address - Fort Bend County Municipal Utility District No. 19
c/o Smith, Murdaugh, Little & Bonham, L.L.P.
2727 Allen Parkway, Suite 1100
Houston, TX 77019

District Telephone Number - (713) 652-6500

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>May 31, 2019</u>	Expense Reimbursements for the year ended <u>May 31, 2019</u>	<u>Title</u>
Terry Roy	05/16 05/20 (Elected)	\$ 1,800	\$ -0-	President
Billy Revis	05/18 05/22 (Elected)	\$ 1,800	\$ -0-	Vice President
John Randall Gemmer	05/18 05/22 (Elected)	\$ 1,650	\$ -0-	Secretary
Alisa Williams	05/18 05/22 (Elected)	\$ 1,350	\$ -0-	Director
Carolyn Fields	05/16 05/20 (Elected)	\$ 1,650	\$ -0-	Director

Note: 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 developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: August 15, 2018.

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

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 19
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Smith, Murdaugh, Little & Bonham, L.L.P.	11/17/75	\$ 19,499	Attorney
McCall Gibson Swedlund Barfoot PLLC	08/26/82	\$ 10,250	Auditor
Claudia Redden & Associates	01/06/93	\$ 11,656	Bookkeeper
Predue, Brandon, Fielder, Collins & Mott, L.L.P.	07/01/95	\$ 1,840	Delinquent Tax Attorney
Jones & Carter, Inc.	01/04/17	\$ 27,797	Engineer
The GMS Group, LLC	03/10/99	\$ -0-	Financial Advisor
Municipal Operations & Consulting, Inc.	03/01/11	\$ 198,537	Operator
Equi Tax, Inc.	09/16/80	\$ 5,462	Tax Assessor/ Collector

See accompanying independent auditor's report.

