

OFFICIAL STATEMENT DATED SEPTEMBER 10, 2020

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 132, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable outlook)
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

\$6,075,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 132
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX BONDS
SERIES 2020

Dated: October 1, 2020

Due: September 1, as shown below

Principal of the bonds described above (the “Bonds”) will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Co., N.A., Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from October 1, 2020 and will be payable on March 1 and September 1 of each year commencing March 1, 2021 (five months interest) until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2022	\$ 200,000	4.000%	0.600%	34684W CC3	2028	\$ 200,000 (a)	2.000%	1.350%	34684W CJ8
2023	200,000	4.000	0.700	34684W CD1	2029	200,000 (a)	2.000	1.500	34684W CK5
2024	200,000	4.000	0.850	34684W CE9	2030	200,000 (a)	2.000	1.800	34684W CL3
2025	200,000	4.000	1.000	34684W CF6	2031	200,000 (a)	2.000	1.900	34684W CM1
2026	200,000 (a)	2.000	1.100	34684W CG4	2032	200,000 (a)	2.000	1.950	34684W CN9
2027	200,000 (a)	2.000	1.200	34684W CH2					

\$400,000 Term Bonds due September 1, 2034 (a), CUSIP 34684W CQ2 (b), 2.000% Interest Rate, 2.050% Yield (c)
 \$400,000 Term Bonds due September 1, 2036 (a), CUSIP 34684W CS8 (b), 2.000% Interest Rate, 2.150% Yield (c)
 \$400,000 Term Bonds due September 1, 2038 (a), CUSIP 34684W CU3 (b), 2.000% Interest Rate, 2.250% Yield (c)
 \$1,000,000 Term Bonds due September 1, 2043 (a), CUSIP 34684W CZ2 (b), 2.250% Interest Rate, 2.400% Yield (c)
 \$1,675,000 Term Bonds due September 1, 2047 (a), CUSIP 34684W DD0 (b), 2.375% Interest Rate, 2.450% Yield (c)

- (a) The Bonds maturing on or after September 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from October 1, 2020 is to be added to the price.

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 132 (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special INVESTMENT CONSIDERATIONS described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about October 15, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056 upon payment of the costs of duplication.

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

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

OFFICIAL STATEMENT SUMMARY

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

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 “INVESTMENT CONSIDERATIONS—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 limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Impact..... 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.

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 the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

HURRICANE HARVEY

Recent Extreme Weather

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to Environmental Development Partners, LLC (the “Operator”) and Costello, Inc. (the “Engineer”), the District’s waterworks and sewer system did not sustain any material damage, there was no interruption of water and sewer service, and no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

THE DISTRICT

Description and

Location The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated February 23, 2004. The District is a municipal utility district and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 604 acres of land. The District is located approximately 26 miles southwest of the central downtown business district of the City of Houston (the “City”) and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Lamar Consolidated Independent School District. The District lies approximately two miles southwest of the intersection of the Westpark Toll Road and State Highway 99 (“Grand Parkway”) and near the intersection of Farm to Market Road 1093 and Farm to Market Road 723. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

The Developers and Other

Major Property Owners Meritage Homes of Texas, LLC, an Arizona limited liability company (“Meritage”), and Pulte Homes of Texas, L.P., a Texas limited partnership (“Pulte”), jointly purchased approximately 253 acres of land in the District from Pacific Richland Investments LP, a Texas limited partnership (“Pacific Richland”), for single-family residential development. Meritage and Pulte have a joint ownership and development agreement whereby Meritage develops and builds on two-thirds of the lots and Pulte develops and builds on one-third of the lots in such 253 acres in the District. Approximately 699 lots on approximately 210 of such acres have been constructed and are being marketed as Talavera. In addition, utilities are currently under construction for Talavera, Sections 11 and 12 (106 single family residential lots on approximately 24 acres) with an expected completion date of first quarter 2021.

Pacific Richland continues to own approximately 63 acres of land within the District, all of which is developable. Richfield Investments, LLC, a Delaware limited liability company, is Pacific Richland’s general partner, and Richfield Real Estate Corporation, a Delaware corporation, serves as its manager.

Dairwood Development LP, a Texas limited partnership (“Dairwood”), owns approximately 269 acres of undeveloped land within the District, all of which is developable.

Collectively, Meritage, Pulte, Pacific Richland, and Dairwood are herein referred to as the “Developers.” See “THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS.”

Status of Development.....

A portion of the District is being developed and marketed as Talavera. Development in the District began in 2015 and currently includes 699 single-family residential lots on approximately 210 acres. In addition, utilities are currently under construction for Talavera, Sections 11 and 12 (106 single family residential lots on approximately 24 acres) with an expected completion date of first quarter 2021. As of June 11, 2020, the District consisted of 434 completed homes (434 occupied), 99 homes under construction and 166 vacant developed lots. Homes in the District range in price from approximately \$235,000 to \$390,000.

The remainder of the District is comprised of approximately 12 acres of park land, open spaces and landscape reserves upon which a 2.5 acre recreation center has been constructed, which includes a recreational pool, splash pad, playground equipment, shade structure, picnic area and restrooms. There are approximately 244 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 114 acres of land that are not developable, including major thoroughfares, detention and drainage facilities, street right-of-way and utilities. See “THE DISTRICT.”

Homebuilders

Homebuilders currently building in the District are Meritage and Pulte. See “THE DISTRICT—Status of Development: Homebuilding.”

THE FINANCING

- The Issue*.....\$6,075,000 Fort Bend County Municipal Utility District No. 132, Unlimited Tax Bonds, Series 2020, dated October 1, 2020. The Bonds mature serially on September 1 in each year from 2022 through 2032, both inclusive, and as term bonds on September 1 in each of the years 2034, 2036, 2038, 2043 and 2047 (the “Term Bonds”), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from October 1, 2020 and will be payable March 1 and September 1 of each year commencing March 1, 2021, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on or after September 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. If less than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If less than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM” and “THE BONDS—Redemption Provisions.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”
- Book-Entry-Only*.....The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY- ONLY SYSTEM.”
- Authority for Issuance*The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and an election held within the District. See “THE BONDS— Authority for Issuance.”
- Source of Payment*.....Principal of and interest on the Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
- Use of Proceeds*.....Proceeds of the Bonds will be used to reimburse the Developers for construction and engineering costs and other expenses related to: (1) Detention Pond Phase I Improvements; (2) Trunk Sewer Line and Dual Force Main for Sendero; (3) water, sewer and drainage facilities to serve Sendero Tract, Sections 1 and 2; and (4) Wastewater Treatment Plant Capacity Buy In. In addition, Bond proceeds will be used to capitalize twelve (12) months of interest on the Bonds; to reimburse operating funds previously advanced to the District by the Developers; to pay Developer interest on such advances and on the construction and engineering costs of the above described projects; and to pay certain costs related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Payment Record*.....The District has previously issued \$4,925,000 principal amount of unlimited tax road bonds in one series and \$5,000,000 principal amount of unlimited tax bonds in one series (the “Previously Issued Bonds”), of which \$9,820,000 principal amount remains outstanding as of September 2, 2020 (the “Outstanding Bonds”). The District has never defaulted on the debt service payments on the Outstanding Bonds.
- Qualified Tax-Exempt Obligations*The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”
- Bond Counsel*Schwartz, Page & Harding, L.L.P., Houston, Texas.

Engineer Costello, Inc., Houston, Texas.

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

Financial Advisor Masterson Advisors LLC, Houston, Texas.

Paying Agent/Registrar The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

*Municipal Bond Insurance
and
Municipal Bond Rating*..... It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) will assign municipal bond ratings of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”). The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

INVESTMENT CONSIDERATIONS

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

FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$78,115,556	(a)
2020 Taxable Assessed Valuation.....	\$129,753,527	(b)
Estimate of Taxable Assessed Valuation as of August 1, 2020.....	\$152,451,338	(c)
Gross Direct Debt Outstanding.....	\$15,895,000	(d)
Estimated Overlapping Debt	<u>2,855,639</u>	
Total Gross Direct Debt and Estimated Overlapping Debt.....	\$18,750,639	
Ratios of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	12.25%	
Estimate of Taxable Assessed Valuation as of August 1, 2020	10.43%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	14.45%	
Estimate of Taxable Assessed Valuation as of August 1, 2020	12.30%	
2020 Debt Service Tax Rate	\$0.69	
2020 Maintenance Tax Rate	<u>0.81</u>	
Total	\$1.50	
Average Annual Debt Service Requirement (2021-2047).....	\$862,036	(e)
Maximum Annual Debt Service Requirement (2044).....	\$929,656	(e)
Tax Rate Required to Pay Average Annual Debt Service (2021-2047) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation	\$0.70	
Based upon Estimate of Taxable Assessed Valuation as of August 1, 2020	\$0.60	
Tax Rate Required to Pay Maximum Annual Debt Service (2044) at a 95% Collection Rate		
Based upon 2020 Taxable Assessed Valuation	\$0.76	
Based upon Estimate of Taxable Assessed Valuation as of August 1, 2020	\$0.65	
Status of Development as of May 11, 2020 (f):		
Single family - occupied	434	
Single family – unoccupied.....	0	
Builder connections.....	99	
Other.....	<u>18</u>	
Total	551	
Estimated 2020 Population.....	1,519	(g)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) The Appraisal District has certified \$128,554,639 of value as of January 1, 2020. According to the Appraisal District, there are properties remaining uncertified totaling \$1,498,610. The above listed assessed value includes 80% of the total uncertified value for an estimated uncertified value of \$1,198,888. See "TAX PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on August 1, 2020. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."
- (d) After giving effect to issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED—Outstanding Bonds."
- (e) See "DEBT SERVICE REQUIREMENTS" and "TAX DATA—Tax Adequacy for Debt Service."
- (f) See "THE DISTRICT—Land Use" and "Status of Development."
- (g) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$6,075,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 132

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

UNLIMITED TAX BONDS

SERIES 2020

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 132 (the “District”) of its \$6,075,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to the Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and an election held within the District on May 9, 2015.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, Meritage Homes of Texas, LLC, an Arizona limited liability company (“Meritage”), Pulte Homes of Texas, L.P., a Texas limited partnership (“Pulte”), Pacific Richland Investments LP, a Texas limited partnership (“Pacific Richland”), Dairwood Development LP, a Texas limited partnership (“Dairwood”), and development activity in the District. Meritage, Pulte, Pacific Richland and Dairwood are collectively referred to as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of duplication costs therefor.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated October 1, 2020, with interest payable on each March 1 and September 1 thereafter, commencing March 1, 2021 (each an “Interest Payment Date”) until the earlier of maturity or redemption. Interest on the Bonds initially accrues from October 1, 2020, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under “MATURITIES PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the cover page hereof. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein (“Registered Owners”). No physical delivery of the Bonds will be made to the purchasers thereof. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At an election held within the District on May 9, 2015, voters of the District authorized a total of \$333,620,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the second issuance of bonds from such authorization. After the issuance of the Bonds, a total of \$322,545,000 in principal amount of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated July 20, 2020.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston (the "City"), Fort Bend County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the prior creation of the District's Bond Fund, including the sub-accounts which are used to separate funds received to pay debt service on bonds issued to finance water, sanitary sewer, drainage, and recreational facilities ("WSD&R Bonds") from funds received to pay debt service on bonds issued to finance road facilities ("Road Bonds"). The Bond Order also confirms the District's Construction Fund, including the sub-accounts which are used to separate proceeds from WSD&R Bonds and Road Bonds. Accrued interest on the Bonds plus an amount equal to twelve (12) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the sub-account of the Bond Fund created in respect of WSD&R Bonds. All remaining proceeds of the Bonds will be deposited in the sub-account of the Construction Fund created in respect of WSD&R Bonds.

The proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Order shall be deposited, as collected, into the sub-account of the Bond Fund created in respect of WSD&R Bonds. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and funds in the sub-accounts created in respect of WSD&R Bonds are to be used for payment of debt service on the Bonds and any of the District's duly authorized WSD&R Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or part from taxes. Amounts on deposit in the sub-accounts of the Bond Fund created in respect of WSD&R Bonds may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any of the District's duly authorized WSD&R Bonds, whether heretofore, hereunder, or hereafter issued, payable in whole or in part from taxes, and to pay any tax anticipation notes issued in respect of debt service due to or become due on WSD&R Bonds, together with interest thereon, as such tax anticipation notes become due. Funds otherwise on deposit in the Bond Fund, including funds in a sub-account created in respect of Road Bonds, will not be allocated to the payment of the Bonds.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

Mandatory Redemption: The Term Bonds maturing on September 1 in each of the years 2034, 2036, 2038, 2043 and 2047 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

\$400,000 Term Bonds		\$400,000 Term Bonds		\$400,000 Term Bonds	
Due September 1, 2034		Due September 1, 2036		Due September 1, 2038	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2033	\$ 200,000	2035	\$ 200,000	2037	\$ 200,000
2034 (maturity)	200,000	2036 (maturity)	200,000	2038 (maturity)	200,000

\$1,000,000 Term Bonds		\$1,675,000 Term Bonds	
Due September 1, 2043		Due September 1, 2047	
Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount
2039	\$ 200,000	2044	\$ 200,000
2040	200,000	2045	425,000
2041	200,000	2046	525,000
2042	200,000	2047 (maturity)	525,000
2043 (maturity)	200,000		

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including any Term Bonds) maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Serial Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption: By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds (including any Term Bonds) or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Method of Payment of Principal and Interest

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

Registration

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

Replacement of Paying Agent/Registrar

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

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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of a total of \$333,620,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer and drainage facilities and could authorize additional amounts. After the issuance of the Bonds, \$322,545,000 principal amount of such bonds will remain authorized but unissued. The District's voters have also authorized the issuance of a total of \$65,095,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities and could authorize additional amounts. Currently, \$60,170,000 in principal amount of said unlimited tax road bonds remain authorized but unissued. See "Financing Road Facilities" below. In addition, the District's voters have also authorized the issuance of a total of \$57,930,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which is unissued, and could authorize additional amounts. See "Financing Recreational Facilities" below. The District's voters have also authorized the issuance of a total of \$456,645,000 principal amount of unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District, all of which is unissued, and could authorize additional amounts. See "INVESTMENT CONSIDERATIONS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to the provisions of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended, conservation and reclamation districts created pursuant to said Chapter 54 are authorized to develop and finance with property taxes certain road facilities following the granting of road powers by the TCEQ and a successful District election to approve the issuance of road bonds payable from taxes. The TCEQ granted road powers to the District and at an election held within the District on May 9, 2015, voters of the District authorized a total of \$65,095,000 unlimited tax bonds for financing and constructing road facilities. The District currently has \$60,170,000 principal amount in road bonds from said authorization authorized but unissued and could issue additional amounts. See “—Issuance of Additional Debt” herein and “INVESTMENT CONSIDERATIONS—Future Debt.” Issuance of additional bonds for road facilities could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or an amount greater than the estimated cost of the plan, whichever amount is smaller; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) 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. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.

At an election held within the District on May 9, 2015 voters of the District authorized a total of \$57,930,000 unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains unissued, and could authorize additional amounts.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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. Certain traditional legal remedies may also not be available. See “INVESTMENT CONSIDERATIONS—Registered Owners' Remedies.”

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book- Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor take any responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings, a division of S&P Global, Inc. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district, created by an order of the TCEQ on February 23, 2004, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to certain limitations, develop and finance roads. See "THE BONDS"—Authority for Issuance,""—Issuance of Additional Debt,""—Financing Recreational Facilities" and"—Financing Road Facilities."

The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City and filed in the real property records of Fort Bend County. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing and financing water, sanitary sewer and drainage facilities, recreational facilities and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE WATER, SEWER AND DRAINAGE SYSTEM."

Description and Location

The District is located approximately 26 miles southwest of the central downtown business district of the City and lies wholly within the extraterritorial jurisdiction of the City and within the boundaries of the Lamar Consolidated Independent School District. The District lies approximately two miles southwest of the intersection of the Westpark Toll Road and State Highway 99 ("Grand Parkway") and near the intersection of Farm to Market Road 1093 and Farm to Market Road 723. See "AERIAL PHOTOGRAPH."

Land Use

The table below represents a detailed breakdown of the current acreage and development in the District.

<u>Single-Family Residential</u>	Approximate <u>Acres</u>	<u>Lots</u>
Talavera:		
Section 1.....	29	108
Section 2.....	32	64
Section 3.....	20	79
Section 4.....	25	37
Section 5.....	14	62
Section 6.....	18	62
Section 7.....	17	79
Section 8.....	16	69
Section 9.....	26	82
Section 10.....	13	57
Section 11 (a).....	10	44
Section 12 (a).....	14	62
Subtotal.....	234	805
<u>Park Site/Open Spaces/Landscape Reserves</u>	12	---
<u>Future Development</u>	244	---
<u>Non-Developable (b)</u>	114	---
	604	805

- (a) Utilities are currently under construction with an expected completion date of first quarter 2021.
- (b) Includes major thoroughfares, drainage facilities, street right-of-way, lift station sites, and undevelopable reserves.

Status of Development

A portion of the District is being developed and marketed as Talavera. Development in the District began in 2015 and currently includes Talavera Sections 1 through 10 comprised of 699 single-family residential lots on approximately 210 acres. In addition, utilities are currently under construction for Talavera, Sections 11 and 12 (106 single family residential lots on approximately 24 acres) with an expected completion date of first quarter 2021. As of June 11, 2020, the District consisted of 434 completed homes (434 occupied), 99 homes under construction and 166 vacant developed lots. Homes in the District range in price from approximately \$235,000 to \$390,000. The estimated population of the District, assuming 3.5 persons per occupied single-family residence, is 1,519.

Homebuilders actively marketing or building homes in the District include Meritage and Pulte.

In addition, the District has approximately 12 acres of park land, open spaces and landscape reserves upon which a 2.5 acre recreation center has been constructed, which includes a recreational pool, splash pad, playground equipment, shade structure, picnic area and restrooms.

The remainder of the District is comprised of approximately 114 acres that are not developable (major thoroughfares, detention and drainage facilities, street right-of-way and utilities), and approximately 244 developable acres that have not been provided with utility service.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years. None of the Board members reside in the District; however, each of the Board members owns land within the District subject to a deed of trust in favor of one of the Developers. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Dekle	President	May 2024
Paresha Patel	Vice President	May 2022
Chris Barnett	Secretary	May 2022
Hetal Bhavsar	Asst. Secretary	May 2024
Amit Patel	Director	May 2022

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Fort Bend Central Appraisal District. The District contracts with Assessments of the Southwest, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The operator of the District's water, wastewater and storm sewer systems is Environmental Development Partners, LLC (the "Operator").

Bookkeeper

The District contracts with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services for the District.

Engineer

The District's consulting engineer is Costello, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the year ended June 30, 2019, were audited by McGrath & Co., PLLC, independent auditors. The District has engaged McGrath & Co., PLLC to audit its financial statements for the period ending June 30, 2020. See "APPENDIX A" for a copy of the District's June 30, 2019, financial statements.

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P. as disclosure counsel ("Disclosure Counsel"). The fees paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the 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 sufficient taxes to pay debt service and retire bonds.

Investors in the Bonds should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. The District cautions that the development experience of the Developers was gained in different markets and under different circumstances than those that exist in the District and the prior success, if any, is no indication or guarantee that the Developers will be successful in the development of land within the District.

The Developers are not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

Meritage Homes of Texas, LLC and Pulte Homes of Texas, L.P.

Meritage and Pulte jointly purchased approximately 253 acres of land in the District from Pacific Richland Investments LP, a Texas limited partnership ("Pacific Richland"), for single family residential development. Meritage and Pulte have a joint ownership and development agreement whereby Meritage develops and builds on two-thirds of the lots and Pulte develops and builds on one-third of the lots on such 253 acres in the District. Approximately 699 lots on approximately 210 of such acres have been constructed and are being marketed as Talavera, Sections 1 through 10. In addition, utilities are currently under construction for Talavera, Sections 11 and 12 (106 single family residential lots on approximately 24 acres) with an expected completion date of first quarter 2021.

Meritage is wholly owned by Meritage Homes Corporation ("MHC"), a Maryland real estate investment trust and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "MTH". Pulte is wholly owned by Pulte Group Inc. ("PGI"), a Michigan corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "PHM". MHC and PGI are subject to the information requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by either MHC or PGI can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

In addition, both MHC, on its web site www.meritagehomes.com, and PGI, on its website www.pultegroupinc.com, make available their respective annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have electronically filed with the SEC as well as other financial institutions. Unless otherwise specified, information contained on either MHC or PGI's respective websites, available by hyperlink from MHC or PGI's respective website or on the SEC's website, is not incorporated into this Official Statement.

Pacific Richland Investments LP

Pacific Richland Investments LP, a Texas limited partnership ("Pacific Richland"), continues to own approximately 63 acres of undeveloped land within the District, all of which is developable. Richfield Investments, LLC, a Delaware limited liability company, is Pacific Richland's general partner, and Richfield Real Estate Corporation, a Delaware corporation, serves as its manager.

Dairwood Development LP

Dairwood Development LP, a Texas limited partnership (“Dairwood”), owns approximately 269 acres of undeveloped land within the District, all of which is developable.

Collectively, Meritage, Pulte, Pacific Richland, and Dairwood are herein referred to as the “Developers.”

THE WATER, SEWER AND DRAINAGE SYSTEM

Regulation

Construction and operation of the District's water, sewer and storm drainage system (the “System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency (the “EPA”). The provision of potable water in the District is subject to the regulatory authority of the TCEQ and EPA. Withdrawal of ground water and the issuance of water well permits is subject to the regulatory authority of the North Fort Bend Regional Water Authority (the “Authority”), Fort Bend County, the City, and the Texas Department of Health also exercise regulatory jurisdiction over the District's System. Changes in regulatory criteria could require the District to make additional capital expenditures for System improvements in the future.

Water Supply

The District has purchased 825 equivalent single-family connections (“ESFCs”) of water capacity from Fort Bend County Municipal Utility District No. 133 (“MUD 133”) pursuant to a joint water supply agreement. See “—Joint Facilities and Cost Sharing Agreements” below. Water is supplied to MUD 133 through a 12” surface water supply line from the North Fort Bend Water Authority (the “Authority”). See “—Surface Water Conversion” below. In addition, the District and MUD 133 are served by one water plant located in MUD 133, which consists of one 1,650 gallon per minute (“gpm”) well, 960,000 gallons ground storage tank capacity, 7,200 gpm booster pump capacity, two 20,000-gallon pressure tanks, a 30,000 gallon hydropneumatic pressure tank and related appurtenances, and which is operated by MUD 133. MUD 133 received an exception from the TCEQ from providing elevated storage facilities in June 2018. According to MUD 133's Engineer, MUD 133's water plant has capacity to serve 3,590 ESFCs.

MUD 133 has a water supply interconnect with Fort Bend County Municipal Utility District No. 50, which allows water supply service between the parties on an emergency basis.

Surface Water Conversion

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. MUD 133's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2005, the Texas Legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of the County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City to obtain treated surface water from the City. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges MUD 133, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by MUD 133, and a fee per 1,000 gallons based on the amount of surface water received from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty of \$6.50 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

Wastewater in the District is treated by an interim wastewater treatment plant leased by MUD 133 which is presently capable of treating 1,015,000 gallons per day ("gpd") of wastewater flow. This wastewater treatment plant's current capacity is capable of serving 3,383 ESFCs based on TCEQ approved design criteria of 300 gpd/ESFC, of which the District has the beneficial right to use 243,900 gpd of wastewater treatment capacity (or 813 ESFCs).

MUD 133 leases the interim wastewater treatment plant from AUC Group, L.P. ("AUC"). The plant became operational in December 2007 and was expanded in May 2014, August 2016 and August 2018. Pursuant to the lease agreements between MUD 133 and AUC, MUD 133 is obligated to make lease payments to AUC during the term of the lease. These lease payments, and capacity in the interim wastewater treatment plant, are shared between the District and MUD 133 in accordance with the agreement between the District and MUD 133 described below. The current lease payment is \$39,400 per month. AUC has indicated its willingness to sell the leased facilities to MUD 133 if MUD 133 desires to purchase the facilities. MUD 133 has made no representation whether it will purchase the facilities. MUD 133 is obligated to continue to expand the interim plant and/or construct a permanent plant in order to complete the balance of the development in the District and MUD 133. See "—Joint Facilities and Cost Sharing Agreements" below.

Joint Facilities and Cost Sharing Agreements

Water Plant Facilities: Effective July 20, 2016, the District and MUD 133 entered into that certain Joint Water Supply Agreement (the "Water Agreement") pursuant to which the District purchased 825 ESFCs of water capacity in MUD 133's water plant facilities (the "Water Plant") to serve a portion of land within the District. The costs of operating and maintaining the Water Plant are shared by and between the District and MUD 133, as more fully set forth in the Water Agreement.

Wastewater Treatment Plant Facilities: Effective July 20, 2016, the District and MUD 133 entered into that certain Amended and Restated Joint Facilities and Cost Sharing Agreement (the "Sewer Agreement") regarding construction, operation, and maintenance of wastewater treatment plant facilities leased or acquired by MUD 133 (the "Sewer Plant"). Pursuant to the Sewer Agreement, the District is entitled to the use and benefit of 243,900 gpd of wastewater treatment capacity in the Sewer Plant which equates to the capacity of serving 813 ESFCs, which, according to the Engineer, is adequate to complete development within the District. Under the Sewer Agreement, the District may require MUD 133, at the District's cost, to perform additional expansions of the Sewer Plant to serve the District.

The costs of the Sewer Plant are shared by and between the District and MUD 133, as more fully set forth in the Sewer Agreement. In general, capital costs and lease payments are shared based upon the percentage of capacity owned, and operation and maintenance costs are shared based on the proportion of each district's number of active sewer connections to the total number of active connections of both districts.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no land within the District is located within the 100-year flood plain as designated by the most recent FEMA FIRM dated January 2, 1997. See "INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey."

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the 1-10 corridor to Central Texas. In particular, the study shows that the Upper Gulf Coast is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Fort Bend County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain, which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could result in less developable property within the District, higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

THE ROADS

Proceeds of the Road Bonds were used to finance several arterial/collector streets or major thoroughfares which lie within or near the boundaries of the District. These include the major thoroughfare of Bellaire Boulevard and collector streets including Canyon Fields Drive, Mirandola Parkway, and Rancho Bella Parkway which serves the Talavera Recreation Center. In addition, a portion of the proceeds of the Road Bonds were used to finance the interior collector roadways of Regatta Lake Drive, Moringview Bend Lane, and streets serving the Sendero Tract, Sections One and Three through Five.

All roadways are designed and constructed in accordance with Fort Bend County (the "County") and City of Houston standards, rules and regulations. Upon acceptance by the County or the Texas Transportation Commission ("TxDOT"), as applicable, of certain roadways or roadway facilities, the County or TxDOT, as applicable, is responsible for operation and maintenance thereof. The road sound wall facilities constructed by the District are operated and maintained by the District.

The roadways lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks and franchise utilities (power, gas, telephone and cable).

Joint Facilities and Cost Sharing Agreement

The District and MUD 133 entered into an agreement, effective July 20, 2016, by which the District and MUD 133 share the operation and maintenance costs related to certain road, drainage, street lighting, detention, irrigation, and landscaping facilities for Bellaire Boulevard and Rancho Bella Parkway, on a 50-50 basis except for certain road drainage facilities which are split based on the proportion of each district's acreage to the total acreage in both districts.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs were compiled by Costello, Inc., the District's engineer (the "Engineer"), based on the estimated cost of facilities and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the District's financial advisor, Masterson Advisors LLC (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Certain uses of surplus funds require TCEQ approval.

Proceeds from the Bonds will be used to reimburse the Developers for construction and engineering costs and other expenses related to: (1) Detention Pond Phase I Improvements; (2) Tunk Sewer Line and Dual Force Main for Sendero; (3) water, sewer and drainage facilities to serve Sendero Tract, Sections 1 and 2 and (4) Wastewater Treatment Plant Capacity Buy In. Bond proceeds will also be used to capitalize twelve (12) months of interest on the Bonds; to reimburse the operating funds previously advanced to the District by the Developers; to pay Developer interest on such advances and on the construction and engineering costs of the above-described projects; and to pay certain costs associated with the issuance of the Bonds.

CONSTRUCTION RELATED COSTS

Construction Costs	\$	4,451,297
Accrued Interest on Construction Costs (estimated).....		502,831

Total Construction Related Costs **\$ 4,954,128**

NON-CONSTRUCTION COSTS

Underwriter's Discount	\$	172,725
Capitalized Interest		146,281
Developer Advances		224,752
Contingency (a).....		166,994

Total Nonconstruction Costs **\$ 710,752**

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$	318,858
Bond Application Report.....		70,000
State Regulatory Fees		21,263

Total Issuance Costs and Fees **\$ 410,120**

TOTAL BOND ISSUE..... **\$ 6,075,000**

(a) Contingency represents the difference in the estimated and actual underwriter's discount and capitalized interest.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

Future Development

The Developers have financed or are financing the engineering and construction costs of underground utilities to serve development within the District, as well as certain other District improvements including water supply, wastewater treatment facilities, road improvements and recreational facilities. After reimbursements are made with Bond proceeds, the Developers will have expended approximately \$22,385,000 for design, construction and acquisition of District water, wastewater and drainage facilities not yet reimbursed, approximately \$5,120,000 for road construction not yet reimbursed, and approximately \$6,255,000 for recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in whole or in part, to reimburse the Developers for these costs. Additionally, the District contains approximately 244 acres of developable land not presently served with water supply and distribution, wastewater collection and treatment and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage. The District makes no representation that any additional development will occur within the District. According, to the Engineer, under current development plans, the remaining authorized but unissued bonds (\$322,545,000 principal amount for water, sewer, and drainage facilities, \$60,170,000 principal amount for roads, and \$57,930,000 principal amount for recreational facilities) should be sufficient to finance the construction of facilities to complete the District's water, sewer, drainage, road and recreational system for full development of the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
05/09/2015	Water, Sanitary Sewer and Drainage (“WS&D”)	\$333,620,000	\$11,075,000*	\$322,545,000
05/09/2015	Recreational	\$57,930,000	\$-0-	\$57,930,000
05/09/2015	Roads and Refunding of Road Bonds	\$65,095,000	\$4,925,000	\$60,170,000

* Includes the Bonds.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	\$78,115,556	(a)
2020 Taxable Assessed Valuation	\$129,753,527	(b)
Estimated Taxable Assessed Valuation as of August 1, 2020	\$152,451,338	(c)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	\$ 15,895,000	
Ratios of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	12.25%	
Estimated Taxable Assessed Valuation as of August 1, 2020	10.43%	

Area of District — 604 acres
Estimated 2020 Population — 1,519 (d)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) The Appraisal District has certified \$128,554,639 of value as of January 1, 2020. According to the Appraisal District, there are properties remaining uncertified totaling \$1,498,610. The above listed assessed value includes 80% of the total uncertified value for an estimated uncertified value of \$1,198,888. See “TAX PROCEDURES.”
- (c) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on August 1, 2020. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See “TAX PROCEDURES.”
- (d) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of August 13, 2020)

General Fund	Cash and Temporary Investments	\$376,034	(a)
Water, Sewer and Drainage Capital Projects Fund	Cash and Temporary Investments	\$376,702	
Water, Sewer and Drainage Bond Fund	Cash and Temporary Investments	\$220,476	(b)
Road Bond Fund	Cash and Temporary Investments	\$401,715	(b)
Road Capital Projects Fund	Cash and Temporary Investments	\$200,583	

- (a) See “INVESTMENT CONSIDERATIONS—Operating Funds.”
- (b) The District will capitalize twelve (12) months of interest on the Bonds, which will be deposited to the Water, Sewer and Drainage Bond Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Bond Funds. Although all of the District’s debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District’s ad valorem tax revenue will be allocated to Road Bonds, and a portion will be allocated to WSD&R Bonds, including the Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.” The Road Bond Fund is not pledged to the WSD&R Bonds, including the Bonds, and the WSD&R Bond Fund is not pledged to the Road Bonds. The Water, Sewer and Drainage Bond Fund balance includes \$66,559 for payment of the September 1, 2020 WSD&R Bonds debt service payment and the Road Bond Fund balance includes \$206,599 for payment of the September 1, 2020 Road Bonds debt service payment.

Investments of the District

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

Outstanding Bonds (as of September 2, 2020)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Outstanding Bonds (as of 9/2/20)</u>
2018 (a)	\$ 4,925,000	\$ 4,820,000
2019	5,000,000	5,000,000
Total	\$ 9,925,000	\$ 9,820,000

(a) Unlimited Tax Road Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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 or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Fort Bend County.....	\$ 642,587,527	6/30/2020	0.05%	\$ 321,294
Lamar Consolidated ISD.....	1,151,975,000	6/30/2020	0.22%	2,534,345
Total Estimated Overlapping Debt.....				\$ 2,855,639
The District.....	15,895,000 (a)	Current	100.00%	15,895,000
Total Direct and Estimated Overlapping Debt.....				\$ 18,750,639
Ratio of Estimated Direct and Overlapping Debt to 2020 PrTaxable Assessed Valuation.....				14.45%
Ratio of Estimated Direct and Overlapping Debt to Estimated Assessed Valuation as of July 1, 2020.....				12.30%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2019

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of 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 taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions overlapping the District and the 2020 tax rate of the District. None of the other entities below have established a 2020 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.46000
Fort Bend County ESD No. 4.....	0.10000
Lamar Consolidated ISD.....	<u>1.32000</u>
Total Overlapping Tax Rate.....	\$ 1.88000
 The District (a).....	 <u>1.50000</u>
Total Tax Rate.....	\$ 3.38000

(a) The District has levied a total tax rate for 2020 of \$1.50 per \$100 assessed valuation. See "TAX DATA—Tax Rate Distribution."

TAX DATA

Historical Tax Collections

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

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2020 (a)	
				Amount	Percent
2015	\$ 2,783,590	\$ 1.50	\$ 47,679	\$ 47,679	100.00%
2016	4,419,066	1.50	66,286	66,286	100.00%
2017	10,880,153	1.50	163,202	163,202	100.00%
2018	34,522,764	1.50	517,841	517,841	100.00%
2019	78,115,556	1.50	1,171,733	1,167,354	99.63%

(a) Unaudited.

Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$ 0.69	\$ 0.62	\$ -	\$ -	\$ -
Maintenance and Operations	0.81	0.88	1.50	1.50	1.50
Total	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds or the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “Tax Rate Distribution” and “Tax Roll Information” below, and “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payment.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was held on May 9, 2015, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 assessed valuation for general operations and maintenance costs. The District levied a \$0.81 general operations and maintenance tax rate for 2020. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Tax Exemptions

For the tax year 2020, the District has not adopted any tax exemptions for property located within the District. See “TAX PROCEDURES—Property Subject to Taxation by the District.”

Additional Penalties

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

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the certified taxable assessed value of such property and such property's certified assessed value as a percentage of the 2020 Certified Taxable Assessed Valuation of \$128,554,639, which represents ownership as of January 1, 2020. Principal taxpayer lists related to the uncertified portion of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2020 are not available.

<u>Taxpayer</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Meritage Homes of Texas LLC (a)	\$ 7,356,690	5.72%
Pacific Richland Investments LP (a)	3,162,610	2.46%
Pulte Homes of Texas LP (a)	2,859,800	2.22%
Individual	524,690	0.41%
Individual	437,160	0.34%
Individual	423,730	0.33%
Individual	418,500	0.33%
Individual	416,440	0.32%
Individual	415,250	0.32%
Individual	408,580	0.32%
Total	\$ 16,423,450	12.78%

(a) See “THE DEVELOPERS AND OTHER MAJOR PROPERTY OWNERS.”

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2018 through 2020 Certified Taxable Assessed Valuations. Differences in value from other information herein are due to differences in dates of information provided. Breakdowns of the uncertified portion of the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2020 are not available.

	2020	2019	2018
Land	\$ 37,186,580	\$ 28,380,200	\$ 19,074,830
Improvements	98,611,793	55,155,380	20,542,790
Personal Property	69,670	291,970	569,390
Exemptions (a)	(7,313,404)	(5,711,994)	(5,664,246)
Certified Value	<u>\$128,554,639</u>	<u>\$ 78,115,556</u>	<u>\$ 34,522,764</u>
Uncertified Value	1,198,888	-	-
Total Value	<u>\$129,753,527</u>	<u>\$ 78,115,556</u>	<u>\$ 34,522,764</u>

(a) A majority of exemptions represented by productivity loss due to agricultural use designation of property.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2020 Taxable Assessed Valuation of \$129,753,527 (\$128,554,639 certified plus \$1,198,888 uncertified) and the Estimated Taxable Assessed Valuation as of August 1, 2020 of \$152,451,338. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable assessed values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2021-2047)	\$862,036
\$.70 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections.....	\$862,861
\$.60 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2020 at 95% collections....	\$868,973
Maximum Annual Debt Service Requirement (2044)	\$929,656
\$.76 Tax Rate on 2020 Taxable Assessed Valuation at 95% collections.....	\$936,820
\$.65 Tax Rate on Estimated Taxable Assessed Valuation as of August 1, 2020 at 95% collections....	\$941,387

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District as of August 1, 2020, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. 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 the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2020 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$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 an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, 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.

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

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2020 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See “—Rollback of Operation and Maintenance Tax Rate” below. 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land’s capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District’s Tax Assessor/Collector, as of January 1, 2020, approximately 260 acres of land within the District are designated for agricultural use, open space, inventory deferment, or timberland. Such acreage is currently in the process of being removed from this designation and expected to be taxable on future supplemental tax rolls for the 2021 tax year.

Tax Abatement

The City and Fort Bend County may designate all or part of the District as a reinvestment zone, and the District, Fort Bend County, and the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District.

With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if for items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "TAX DATA—Tax Rate Distribution" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. 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 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

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DISTRICT OPERATIONS

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statement for the fiscal years ended June 30, 2017 through June 30, 2019 and an unaudited summary for the period ended June 30, 2020, provided by the District's bookkeeper. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended June 30			
	2020 (a)	2019	2018	2017 (b)
Revenues:				
Water Service	\$ 253,870	\$ 99,887	\$ 49,017	\$ 12,585
Sewer Service	160,787	109,027	39,565	5,176
Property Taxes	685,726	513,991	161,171	66,201
Penalties and Interest	9,046	6,529	3,872	7,899
Regional Water Authority Fees	267,198	148,521	76,702	24,917
Tap Connections and Inspection	421,817	181,255	154,365	64,190
Miscellaneous	1,850	2,535	3,269	2,223
Investment Earnings	614	515	3,134	4,102
Total Revenue	\$ 1,800,907	\$ 1,062,260	\$ 491,095	\$ 187,293
Expenditures:				
Purchased Services	\$ 751,454	\$ 478,792	\$ 212,439	\$ 156,443
Professional Fees	136,340	198,406	150,653	179,759
Contracted Services	398,360	289,312	171,542	87,510
Repairs and Maintenance	171,857	66,041	62,017	13,189
Utilities	40,138	37,334	34,201	804
Administrative	32,769	24,234	19,762	10,712
Capital Outlay	-	69,308	-	-
Other	16,029	22,711	774	3,586
Total Expenditures	\$ 1,546,945	\$ 1,186,138	\$ 651,388	\$ 452,003
NET REVENUES	\$ 253,961	\$ (123,878)	\$ (160,293)	\$ (264,710)
OTHER FINANCING SOURCES				
Developer Advances	\$ -	\$ 257,819	\$ 203,267	\$ 312,001
Interfund Transfers	-	(12,083)	-	-
General Operating Fund				
Balance (Beginning of Year)	\$ 201,490	\$ 79,632	\$ 36,658	\$ (10,633)
General Operating Fund				
Balance (End of Year)	\$ 455,451	\$ 201,490	\$ 79,632	\$ 36,658

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

(b) Initial year of audited financial statements.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 273,158 (a)				273,158
2021	547,904		\$ 134,091	\$ 134,091	681,995
2022	550,129	\$ 200,000	146,281	346,281	896,410
2023	551,991	200,000	138,281	338,281	890,273
2024	553,551	200,000	130,281	330,281	883,833
2025	554,564	200,000	122,281	322,281	876,845
2026	567,644	200,000	114,281	314,281	881,925
2027	570,044	200,000	110,281	310,281	880,325
2028	572,024	200,000	106,281	306,281	878,305
2029	583,574	200,000	102,281	302,281	885,855
2030	589,074	200,000	98,281	298,281	887,355
2031	594,074	200,000	94,281	294,281	888,355
2032	603,674	200,000	90,281	290,281	893,955
2033	612,449	200,000	86,281	286,281	898,730
2034	619,984	200,000	82,281	282,281	902,265
2035	626,624	200,000	78,281	278,281	904,905
2036	632,344	200,000	74,281	274,281	906,625
2037	637,394	200,000	70,281	270,281	907,675
2038	646,069	200,000	66,281	266,281	912,350
2039	648,519	200,000	62,281	262,281	910,800
2040	660,256	200,000	57,781	257,781	918,038
2041	665,925	200,000	53,281	253,281	919,206
2042	670,400	200,000	48,781	248,781	919,181
2043	678,200	200,000	44,281	244,281	922,481
2044	689,875	200,000	39,781	239,781	929,656
2045	350,200	425,000	35,031	460,031	810,231
2046	-	525,000	24,938	549,938	549,938
2047	-	525,000	12,469	537,469	537,469
Total	\$ 15,249,641	\$ 6,075,000	\$ 2,223,497	\$ 8,298,497	\$ 23,548,138

(a) Excludes the March 1, 2021 debt service payment of \$145,972.

Maximum Annual Debt Service Requirement (2044) \$929,656
 Average Annual Debt Service Requirements (2021-2047) \$862,036

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source and Security of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners (as hereinafter defined) of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies" herein.

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"). The Governor has issued successive renewals of the State disaster declaration, most recently renewing such declaration on August 8, 2020. 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. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on 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. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

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

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

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 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.

Recent Tropical Weather Events; Hurricane Harvey

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

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to Environmental Development Partners, LLC (the “Operator”) and Costello, Inc. (the “Engineer”), the District’s waterworks and sewer system did not sustain any material damage, there was no interruption of water and sewer service, and no homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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 in the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “Credit Markets and Liquidity in the Financial Markets” below and “THE DISTRICT—Status of Development.”

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District’s property tax base or reduce it from current levels.

Competition

The demand for and construction of single-family homes in the District, which is 26 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the southwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Meritage and Pulte in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Landowner Obligation to the District

There are no commitments from or obligations of any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, the District will increase or maintain its taxable value.

Undeveloped Acreage and Vacant Lots

There are approximately 244 developable acres of land within the District that have not been provided with road, water, wastewater and storm drainage facilities necessary for the construction of taxable improvements. In addition, utilities are currently under construction for 106 lots on approximately 24 acres with an expected completion date of first quarter of 2021. As of June 11, 2020, 166 lots were vacant and available for home construction. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. The District makes no representation as to when or if development of this acreage will occur. See "THE DISTRICT—Land Use."

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Taxable Assessed Valuation is \$129,753,527 (\$128,554,639 certified plus \$1,198,888 uncertified), and the Estimated Taxable Assessed Valuation as of August 1, 2020, is \$152,451,338. After issuance of the Bonds, the maximum annual debt service requirement will be \$929,656 (2044), and the average annual debt service requirement will be \$862,036 (2021-2047, inclusive).

Assuming no increase or decrease from the 2020 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 1, 2020, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.76 and \$0.70, respectively, based on the 2020 Taxable assessed value and \$0.65 and \$0.60, respectively, based on the estimated taxable assessed valuation as of August 1, 2020, per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements. See "DEBT SERVICE REQUIREMENTS."

No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District as of August 1, 2020 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$333,620,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of acquiring or constructing water, sewer and drainage facilities, and after the issuance of the Bonds, \$322,545,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. A total of \$65,095,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for constructing road facilities, and, currently \$60,170,000 in principal amount of said unlimited tax bonds remain authorized but unissued. The District's voters have also authorized the issuance of a total of \$57,930,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing recreational facilities, all of which remains authorized but unissued. In addition, voters have authorized \$456,645,000 principal amount of unlimited tax refunding bonds, all of which remains authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes for any or all of the above purposes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

After reimbursements are made with Bond proceeds, the District will continue to owe the Developers and other property owners approximately \$33,760,000 plus interest for advances made for the engineering and construction of water, sanitary sewer and storm drainage facilities, recreational facilities and road facilities. The District intends to issue additional bonds in order to fully reimburse the Developers for facilities constructed or under construction and to provide water, sewer, storm sewer and major drainage facilities and channel improvements, roads and recreational facilities to the remainder of undeveloped but developable land (244 acres). In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. Except with respect to additional bonds for roads, the issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, the principal amount of bonds issued to finance recreational facilities may not exceed 1% of either the District's certified taxable value or an estimate of value as provided by a certificate of the Appraisal District. See "THE BONDS—Issuance of Additional Debt," "—Financing of Recreational Facilities" and "— Financing of Road Facilities."

Environmental and Air Quality Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 11, 2020, 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 itself has become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE finalized a replacement definition of “waters of the United States.” The definition outlines the categories of waters that would be considered “waters of the United States,” including traditional navigable waters, perennial and intermittent tributaries to those waters, certain ditches, certain lakes, ponds and impoundments, and wetlands adjacent to jurisdictional waters. The rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; farm and stock watering ponds; stormwater control features; and waste treatment systems. The EPA published the new rule in the Federal Register on April 21, 2020. The new rule went into effect on June 22, 2020 and is the subject of further litigation.

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

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE WATER, SEWER AND DRAINAGE SYSTEM—100-Year Flood Plain.”

Tax Collection Limitations

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

Registered Owners' Remedies

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 to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. 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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to 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, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and 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, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—Bond Counsel and General Counsel," "TAX PROCEDURES," and "LEGAL MATTERS" solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm'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 other information contained herein.

Tax Exemption

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

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

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, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. 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 ownership of the Bonds.

Qualified Tax-Exempt Obligations

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 in determining the taxpayer’s 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 that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “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 any “bank” 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 that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District has 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 will covenant to take such action that would assure, or to refrain from such action that 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. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be “qualified tax-exempt obligations.”**

Collateral Federal Income Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, 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 individuals allowed an earned income credit. **THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.**

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

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

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.

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 accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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

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

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Initial Purchaser to take and pay for the Bonds, and 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 or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. The District is not aware of any rating assigned to the Bonds other than the insured rating of S&P.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.7 million, \$143.6 million and \$345.1 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.1568% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.451535% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROADS" and "THE WATER, SEWER and DRAINAGE SYSTEM" (as it relates to District facilities) has been provided by Costello, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The financial statements of the District as of and for the fiscal year ended June 30, 2019, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "DISTRICT OPERATIONS" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Initial Purchaser and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Initial Purchaser of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," "DISTRICT OPERATIONS," "DEBT SERVICE REQUIREMENTS," "TAX DATA," (most of which information is contained in the District's annual audited financial statements) and in "APPENDIX A." The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2020.

The District may provide updated information and data in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated financial information and operating data will include audited financial statements if the District 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, then the District will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the 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 a financial obligation of the obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Holders and beneficial owners of the 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 SEC Rule 15c2-12 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 a 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 SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reason 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

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 132, as of the date shown on the cover page.

/s/ Brian Dekle
President, Board of Directors

ATTEST:

/s/ Chris Barnett
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(Approximate boundaries as of July 2020)

**FORT BEND COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 132**

F.M. 723

WESTPARK TOLLWAY



PHOTOGRAPHS

The following photographs were taken in the District in July, 2020 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.













APPENDIX A

District Audited Financial Statements for the fiscal year ended June 30, 2019

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 132**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2019

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 132
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. 132, as of and for the year ended June 30, 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 basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 132
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 132, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

W. G. Smith & Co., P.C.

Houston, Texas
October 10, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 132 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at June 30, 2019, was negative \$9,386,295. This amount is negative because the District relies on advances from its developers to fund operating costs and incurs debt to construct roads which it conveys to Fort Bend County. A comparative summary of the District's overall financial position, as of June 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,224,690	\$ 2,521,023
Capital assets	21,100,598	14,819,498
Total assets	<u>22,325,288</u>	<u>17,340,521</u>
Current liabilities	436,440	2,439,403
Long-term liabilities	31,275,143	20,541,918
Total liabilities	<u>31,711,583</u>	<u>22,981,321</u>
Net position		
Net investment in capital assets	(1,947,765)	(435,812)
Restricted	195,562	
Unrestricted	<u>(7,634,092)</u>	<u>(5,204,988)</u>
Total net position	<u>\$ (9,386,295)</u>	<u>\$ (5,640,800)</u>

Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019

The total net position of the District decreased during the current fiscal year by \$3,745,495. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	\$ 524,660	\$ 166,863
Water and sewer service	357,435	165,284
Other	186,276	160,768
Total revenues	<u>1,068,371</u>	<u>492,915</u>
Expenses		
Current service operations	1,118,419	651,388
Debt interest and fees	109,500	
Developer interest	365,211	
Debt issuance costs	437,177	
Depreciation and amortization	498,624	268,772
Total expenses	<u>2,528,931</u>	<u>920,160</u>
Change in net position before other item	(1,460,560)	(427,245)
Other item		
Transfers to other governments	<u>(2,284,935)</u>	<u>(593,553)</u>
Change in net position	(3,745,495)	(1,020,798)
Net position, beginning of year	<u>(5,640,800)</u>	<u>(4,620,002)</u>
Net position, end of year	<u>\$ (9,386,295)</u>	<u>\$ (5,640,800)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2019, were \$850,419, which consists of \$201,490 in the General Fund, \$263,859 in the Debt Service Fund and \$385,070 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 400,466</u>	<u>\$ 2,521,023</u>
Total liabilities	\$ 192,848	\$ 2,439,403
Total deferred inflows	6,128	1,988
Total fund balance	<u>201,490</u>	<u>79,632</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 400,466</u>	<u>\$ 2,521,023</u>

***Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,062,260	\$ 491,095
Total expenditures	<u>(1,186,138)</u>	<u>(651,388)</u>
Revenues under expenditures	(123,878)	(160,293)
Other changes in fund balance	245,736	203,267
Net change in fund balance	<u>\$ 121,858</u>	<u>\$ 42,974</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer, and Regional water authority fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.
- Developers in the District advance funds to the District as needed to pay operating costs.

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of June 30, 2019 is as follows:

Total assets	<u>\$ 263,859</u>
Total fund balance	<u>\$ 263,859</u>

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

Total revenues	\$ 374
Total expenditures	<u>(41,311)</u>
Revenues under expenditures	(40,937)
Other changes in fund balance	304,796
Net change in fund balance	<u>\$ 263,859</u>

***Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019***

During the current year, financial resources in the Debt Service Fund are from capitalized interest from the sale of bonds.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2018 Unlimited Tax Road Bonds. A summary of the financial position of the Capital Projects Fund as of June 30, 2019 is as follows:

Total assets	<u>\$ 560,365</u>
Total liabilities	\$ 175,295
Total fund balance	<u>385,070</u>
Total liabilities and fund balance	<u>\$ 560,365</u>

A summary of activities of the Capital Projects Fund for the current year is as follows:

Total revenues	\$ 1,597
Total expenditures	<u>(4,248,814)</u>
Revenues under expenditures	(4,247,217)
Other changes in fund balance	<u>4,632,287</u>
Net change in fund balance	<u>\$ 385,070</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$120,458 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019

Capital assets held by the District at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated/amortized		
Land and improvements	<u>\$ 3,060,375</u>	<u>\$ 3,060,375</u>
Capital assets being depreciated/amortized		
Infrastructure	12,373,338	8,519,286
Interest in joint facilities	3,965,789	3,896,481
Landscaping improvements	2,886,867	30,503
	<u>19,225,994</u>	<u>12,446,270</u>
Less accumulated depreciation/amortization		
Infrastructure	(787,952)	(511,464)
Interest in joint facilities	(235,174)	(155,858)
Landscaping improvements	(162,645)	(19,825)
	<u>(1,185,771)</u>	<u>(687,147)</u>
Depreciable capital assets, net	<u>18,040,223</u>	<u>11,759,123</u>
Capital assets, net	<u>\$ 21,100,598</u>	<u>\$ 14,819,498</u>

Capital asset additions during the current year include the following:

- Utilities to serve Rancho Bella Parkway street dedication Section 4
- Landscaping improvements to serve Talavera Sections 3, 4, 5 and 6
- Frontage sidewalk to serve Talavera Bellaire and Rancho Bella
- Utilities to serve Canyon Fields Extension to FM 723 right turn lane
- Utilities to serve Sendero Sections 5, 6, 7 and 8
- Utilities to serve Mirandola Lane Extension
- Talavera Phase 1 fence improvements
- Talavera Sections 3, 4, 5 and 6 fence improvements
- Talavera Sections 5 and 6 commercial fence improvements

Fort Bend County assumes responsibility for all public roads constructed within the county. Consequently, these projects are not recorded as capital assets on the District's financial statements, but are recorded as transfers to other governments upon completion of construction. For the year ended June 30, 2019, capital assets in the amount of \$2,284,935 have been completed and recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of June 30, 2019, the District owes \$26,350,143 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an

***Fort Bend County Municipal Utility District No. 132
Management's Discussion and Analysis
June 30, 2019***

additional commitment in the amount of \$2,354,894 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

During the year, the District issued \$4,925,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year.

At June 30, 2019, the District had \$333,620,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$57,930,000 for parks and recreational facilities; \$60,170,000 for road improvements; and \$456,645,000 for refunding purposes.

Next Year's Budget

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

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 1,062,260	\$ 1,036,800
Total expenditures	<u>(1,186,138)</u>	<u>(1,008,235)</u>
Revenues over/(under) expenditures	(123,878)	28,565
Other changes in fund balance	245,736	
Net change in fund balance	121,858	28,565
Beginning fund balance	<u>79,632</u>	<u>201,490</u>
Ending fund balance	<u>\$ 201,490</u>	<u>\$ 230,055</u>

Property Taxes

The District's property tax base increased approximately \$44,134,000 for the 2019 tax year from \$34,522,264 to \$78,656,152. This increase was primarily due to new construction in the District. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.88 per \$100 of assessed value and a debt service tax rate of \$0.62 per \$100 of assessed value, for a total combined tax rate of \$1.50 per \$100. The District's tax rate for the 2018 tax year was \$1.50 per \$100, all of which was allocated to maintenance and operations.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 132
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 293,272	\$ 263,859	\$ 560,365	\$1,117,496	\$ -	\$ 1,117,496
Taxes receivable	6,128			6,128		6,128
Customer service receivables, net	76,284			76,284		76,284
Prepaid items	5,712			5,712		5,712
Builder damages receivable	19,070			19,070		19,070
Capital assets not being depreciated					3,060,375	3,060,375
Capital assets, net					18,040,223	18,040,223
Total Assets	\$ 400,466	\$ 263,859	\$ 560,365	\$1,224,690	21,100,598	22,325,288
Liabilities						
Accounts payable	\$ 147,179	\$ -	\$ -	\$ 147,179		147,179
Other payables	769			769		769
Customer deposits	44,900			44,900		44,900
Construction advances			175,295	175,295		175,295
Accrued interest payable					68,297	68,297
Due to developers					26,350,143	26,350,143
Long-term debt						
Due after one year					4,925,000	4,925,000
Total Liabilities	192,848		175,295	368,143	31,343,440	31,711,583
Deferred Inflows of Resources						
Deferred property taxes	6,128			6,128	(6,128)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	5,712			5,712	(5,712)	
Restricted		263,859	385,070	648,929	(648,929)	
Unassigned	195,778			195,778	(195,778)	
Total Fund Balances	201,490	263,859	385,070	850,419	(850,419)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 400,466	\$ 263,859	\$ 560,365	\$1,224,690		
Net Position						
Net investment in capital assets					(1,947,765)	(1,947,765)
Restricted for debt service					195,562	195,562
Unrestricted					(7,634,092)	(7,634,092)
Total Net Position					\$ (9,386,295)	\$ (9,386,295)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 132
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 99,887	\$ -	\$ -	\$ 99,887	\$ -	\$ 99,887
Sewer service	109,027			109,027		109,027
Property taxes	513,991			513,991	4,140	518,131
Penalties and interest	6,529			6,529		6,529
Regional water authority fees	148,521			148,521		148,521
Tap connection and inspection	181,255			181,255		181,255
Miscellaneous	2,535			2,535		2,535
Investment earnings	515	374	1,597	2,486		2,486
Total Revenues	1,062,260	374	1,597	1,064,231	4,140	1,068,371
Expenditures/Expenses						
Current service operations						
Purchased services	478,792			478,792		478,792
Professional fees	198,406		1,229	199,635		199,635
Contracted services	289,312			289,312		289,312
Repairs and maintenance	66,041			66,041		66,041
Utilities	37,334			37,334		37,334
Administrative	24,234	108		24,342		24,342
Other	22,711		252	22,963		22,963
Capital outlay	69,308		3,444,945	3,514,253	(3,514,253)	
Debt service						
Interest and fees		41,203		41,203	68,297	109,500
Developer interest			365,211	365,211		365,211
Debt issuance costs			437,177	437,177		437,177
Depreciation/amortization					498,624	498,624
Total Expenditures/Expenses	1,186,138	41,311	4,248,814	5,476,263	(2,947,332)	2,528,931
Revenues Under Expenditures/ Expenses	(123,878)	(40,937)	(4,247,217)	(4,412,032)	2,951,472	(1,460,560)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		304,796	4,620,204	4,925,000	(4,925,000)	
Developer advances	257,819			257,819	(257,819)	
Internal transfers	(12,083)		12,083			
Other Item						
Transfers to other governments					(2,284,935)	(2,284,935)
Net Change in Fund Balances	121,858	263,859	385,070	770,787	(770,787)	
Change in Net Position					(3,745,495)	(3,745,495)
Fund Balance/Net Position						
Beginning of the year	79,632			79,632	(5,720,432)	(5,640,800)
End of the year	\$ 201,490	\$ 263,859	\$ 385,070	\$ 850,419	\$(10,236,714)	\$(9,386,295)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 132 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Article XVI, Section 59 of the Texas Constitution, by an order of the Texas Commission on Environmental Quality, dated February 23, 2004, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 28, 2004 and the first bonds were issued on December 18, 2018.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. As further discussed in Note 10, the District is responsible for the construction of certain road facilities within the District, which are conveyed to Fort Bend County for ownership and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2019, an allowance of \$4,800 was provided for possible uncollectible water/sewer accounts. An allowance for possible uncollectible property taxes was not considered necessary.

Unbilled Service Revenues

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

Interfund Activity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Interest in joint facilities	50 years [max]
Landscaping improvements	20 years

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

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental fund		\$ 850,419
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 22,286,369	
Less accumulated depreciation/amortization	<u>(1,185,771)</u>	
Change due to capital assets		21,100,598
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(4,925,000)	
Interest payable on bonds	<u>(68,297)</u>	
Change due to long-term debt		(4,993,297)
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(26,350,143)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		6,128
Total net position - governmental activities		<u><u>\$ (9,386,295)</u></u>

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

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

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

Net change in fund balance - total governmental fund \$ 770,787

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 4,140

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 3,514,253	
Depreciation/amortization expense	<u>(498,624)</u>	
		3,015,629

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

Issuance of long term debt	(4,925,000)	
Interest expense accrual	<u>(68,297)</u>	
		(4,993,297)

Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (257,819)

The District conveys its roads to Fort Bend County upon completion of construction for maintenance. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,284,935)

Change in net position of governmental activities	\$ (3,745,495)
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Interfund Transactions

In the previous fiscal year, activity related to the expenditure of construction advances was accounted for in the District's General Fund. During the current year, the District established a Capital Projects Fund to account for the expenditure of its Series 2018 Unlimited Tax Road Bonds proceeds. As a result, the District transferred \$12,083 from the General Fund to the Capital Projects Fund, which consisted of amounts from construction advances in the prior year, investment earnings, and other related service charges received from construction advances.

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 3,060,375	\$ -	\$ 3,060,375
Capital assets being depreciated/amortized			
Infrastructure	8,519,286	3,854,052	12,373,338
Interest in joint facilities	3,896,481	69,308	3,965,789
Landscaping improvements	30,503	2,856,364	2,886,867
	<u>12,446,270</u>	<u>6,779,724</u>	<u>19,225,994</u>
Less accumulated depreciation/amortization			
Infrastructure	(511,464)	(276,488)	(787,952)
Interest in joint facilities	(155,858)	(79,316)	(235,174)
Landscaping improvements	(19,825)	(142,820)	(162,645)
	<u>(687,147)</u>	<u>(498,624)</u>	<u>(1,185,771)</u>
Subtotal depreciable capital assets, net	<u>11,759,123</u>	<u>6,281,100</u>	<u>18,040,223</u>
Capital assets, net	<u>\$ 14,819,498</u>	<u>\$ 6,281,100</u>	<u>\$ 21,100,598</u>

Depreciation/amortization expense for the current year was \$498,624.

Note 6 – Due to Developers

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

The District’s developers have also advanced funds to the District for operating expenses.

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 6 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 20,541,918
Developer reimbursements	(3,444,945)
Developer funded construction and adjustments	8,995,351
Operating advances from developers	257,819
Due to developers, end of year	<u>\$ 26,350,143</u>

In addition, the District will owe the developers approximately \$2,354,894, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Sendero lift station no. 2	\$ 555,096	\$ 173,651	\$ 381,445
Sendero detention pond Phase 3	1,031,122	986,427	44,695
Talvera entry landscape improvements	110,124	103,573	6,551
Talavera Mirandola and North Amenity lake landscape improvements	467,237		467,237
Talavera Sections 7 and 8 landscaping improvements	76,990		76,990
Talavera Section 7 and 8 fence improvements	114,325	47,617	66,708
	<u>\$ 2,354,894</u>	<u>\$ 1,311,268</u>	<u>\$ 1,043,626</u>

Note 7 – Construction Advances

The District has entered into financing agreements with its developers in the District for the construction of certain water, sewer, drainage, recreational and road facilities. Under the agreement, the developers advanced funds for the construction of facilities and will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. During the fiscal year, the District refunded unused construction advances to its developers in the amount of \$573,319. As of June 30, 2019, the District reported restricted cash in the amount of \$194,521 for these projects. The balance of unexpended construction advances at year end was \$175,295, which excludes liabilities to be paid from the construction advances.

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 4,925,000</u>
Due within one year	<u>\$ -</u>

The District’s bonds payable at June 30, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018 Road	\$ 4,925,000	\$ 4,925,000	3.20% - 4.50%	September 1, 2020-2044	September 1, March 1	September 1 2024

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

At June 30, 2019, the District had authorized but unissued bonds in the amount of \$333,620,000 for water, sewer and drainage facilities; \$57,930,000 for park and recreational facilities; \$60,170,000 for road improvements; and \$456,645,000 for refunding purposes.

On December 18, 2018, the District issued its \$4,925,000 Series 2018 Unlimited Tax Road Bonds at a net effective interest rate of 4.491761%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	4,925,000
Bonds payable, end of year	<u>\$ 4,925,000</u>

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 8 – Long-Term Debt (continued)

As of June 30, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ -	\$ 203,197	\$ 203,197
2021	105,000	201,491	306,491
2022	110,000	197,997	307,997
2023	115,000	194,341	309,341
2024	120,000	190,553	310,553
2025	125,000	186,539	311,539
2026	130,000	182,235	312,235
2027	140,000	177,575	317,575
2028	145,000	172,515	317,515
2029	150,000	167,130	317,130
2030	160,000	161,155	321,155
2031	170,000	154,555	324,555
2032	175,000	147,655	322,655
2033	185,000	140,455	325,455
2034	195,000	132,660	327,660
2035	205,000	124,260	329,260
2036	215,000	115,440	330,440
2037	225,000	106,200	331,200
2038	235,000	96,187	331,187
2039	250,000	85,275	335,275
2040	260,000	73,800	333,800
2041	275,000	61,762	336,762
2042	285,000	49,163	334,163
2043	300,000	36,000	336,000
2044	315,000	22,163	337,163
2045	335,000	7,537	342,537
	<u>\$ 4,925,000</u>	<u>\$ 3,387,840</u>	<u>\$ 8,312,840</u>

Note 9 – Property Taxes

On May 9, 2015, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.50 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$517,834 on the adjusted taxable value of \$34,522,264.

Total property taxes receivable, at June 30, 2019, consisted of the following:

Current year taxes receivable	\$ 6,054
Prior years taxes receivable	<u>74</u>
Property taxes receivable	<u><u>\$ 6,128</u></u>

Note 10 – Transfers to Other Governments

Fort Bend County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, these facilities are considered to be capital assets of Fort Bend County, not the District. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended June 30, 2019, the District recorded transfers to other governments in the amount of \$2,284,935 for road facilities constructed by developers within the District.

Note 11 – Agreements with Fort Bend Municipal Utility District No. 133

Agreement for Joint Water Supply

On July 20, 2016, the District and Fort Bend County Municipal Utility District No. 133 (“MUD 133”) entered into a Joint Water Supply Agreement for the purchase of capacity in MUD 133’s water plant and to provide the terms and conditions for the operation and maintenance of the water plant. MUD 133 holds legal title to the water plant for the benefit of both districts. The term of the agreement is 50 years. Pursuant to the agreement, each district will have an undivided equitable interest in the water plant based on each districts’ proportionate share of equivalent single-family connections (“ESFCs”).

Each party is billed monthly for maintenance and operating costs based on each District’s proportionate share in accordance with the agreement. For the year ended June 30, 2019, the District paid \$260,699 to MUD 133 for joint water plant operating costs.

Fort Bend County Municipal Utility District No. 132
Notes to Basic Financial Statements
June 30, 2019

Note 11 – Agreements with Fort Bend Municipal Utility District No. 133 (continued)

Agreement for Joint Sewer Facilities and Road Facilities

On July 20, 2016, the District entered into an Amended and Restated Joint Facilities and Cost Sharing Agreement for financing and operation of a joint sewage treatment plant and certain road project facilities that benefit both Districts. As of the date of this agreement, MUD 133 had entered into lease agreements for Phase 1, 2 and 3 of the sewage treatment plant and agreed to the future expansion of the plant to treat an additional 375,000 gallons per day for a total capacity of 1,015,000 (“Phase 4”). MUD 133 holds legal title to the leasehold interests in the sewer plant for the benefit of both districts. The term of the agreement is 50 years. Pursuant to the agreement, each district will have an undivided equitable interest in the sewer plant based on each districts’ proportionate share of capacity.

For the year ended June 30, 2019, the District paid \$215,337 to MUD 133 for sewage treatment plant operating costs. Pursuant to the agreement, the districts also have shared responsibility for the financing of maintenance and operating costs related to certain road facilities within the districts. MUD 133 shall own any completed road facilities until accepted for ownership and maintenance by the County.

Note 12 – Risk Management

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

Note 13 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers’ willingness to make future operating advances and/or to pay property taxes will directly affect the District’s ability to meet its future obligations.

Note 14 – Subsequent Event

On October 10, 2019, the District approved the sale of its Series 2019 Unlimited Tax Bonds in the amount of \$5,000,000. Proceeds from the bonds will be used to reimburse the District’s developers for operating advances and infrastructure improvements in the District.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 132

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 80,000	\$ 110,000	\$ 99,887	\$ (10,113)
Sewer service	45,000	70,000	109,027	39,027
Property taxes	200,000	270,000	513,991	243,991
Penalties and interest	2,000	4,500	6,529	2,029
Regional water authority fees	67,800	140,000	148,521	8,521
Tap connection and inspection	145,000	155,000	181,255	26,255
Miscellaneous			2,535	2,535
Investment earnings			515	515
Total Revenues	<u>539,800</u>	<u>749,500</u>	<u>1,062,260</u>	<u>312,760</u>
Expenditures				
Current service operations				
Purchased services	468,925	468,500	478,792	(10,292)
Professional fees	166,500	166,500	198,406	(31,906)
Contracted services	172,000	187,000	289,312	(102,312)
Repairs and maintenance	102,800	127,800	66,041	61,759
Utilities	50,400	50,400	37,334	13,066
Administrative	26,700	26,700	24,234	2,466
Other	4,000	3,200	22,711	(19,511)
Capital outlay			69,308	(69,308)
Total Expenditures	<u>991,325</u>	<u>1,030,100</u>	<u>1,186,138</u>	<u>(156,038)</u>
Revenues Under Expenditures	(451,525)	(280,600)	(123,878)	156,722
Other Financing Sources/(Uses)				
Developer advances	451,525	282,000	257,819	(24,181)
Internal transfers			(12,083)	(12,083)
Net Change in Fund Balance		1,400	121,858	120,458
Fund Balance				
Beginning of the year	79,632	79,632	79,632	
End of the year	<u>\$ 79,632</u>	<u>\$ 81,032</u>	<u>\$ 201,490</u>	<u>\$ 120,458</u>

Fort Bend County Municipal Utility District No. 132
Notes to Required Supplementary Information
June 30, 2019

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 132

TSI-1. Services and Rates

June 30, 2019

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

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

2. Retail Service Providers

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 20.00	10,000	N	\$ 2.00	10,001 to 15,000
				\$ 3.00	15,001 to 20,000
				\$ 4.00	20,001 to 25,000
				\$ 5.00	25,001 to no limit
Wastewater:	\$ 32.25	-0-	Y		to _____
Surcharge:	\$ -	-0-	N	\$ 4.20	1 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 20.00 Wastewater \$ 32.25

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	117	117	x 1.0	117
1"	208	208	x 2.5	520
1.5"	1	1	x 5.0	5
2"	12	12	x 8.0	96
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	338	338		738
Total Wastewater	327	327	x 1.0	327

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 132
TSI-1. Services and Rates
June 30, 2019

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

* Gallons purchased:	<u>38,888,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>38,888,000</u>	<u>100%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: City of Houston

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

Entirely Partly Not at all

ETJs in which the District is located: City of Houston

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

If Yes, by whom? _____

* Purchased from Fort Bend County Municipal Utility District No. 133
 See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132
TSI-2 General Fund Expenditures
For the Year Ended June 30, 2019

Purchased Services	
Joint water supply operations	\$ 263,454
Joint sewer operations	215,338
	<u>478,792</u>
Professional fees	
Legal	118,213
Audit	6,500
Engineering	73,693
	<u>198,406</u>
Contracted services	
Bookkeeping	13,494
Tax assessment and collection	3,855
Appraisal District fees	5,963
Garbage	30,521
Operator	32,010
Tap connection and inspection	203,469
	<u>289,312</u>
Repairs and maintenance	<u>66,041</u>
Utilities	<u>37,334</u>
Administrative	
Directors fees	7,200
Printing and office supplies	7,032
Insurance	8,954
Other	1,048
	<u>24,234</u>
Other	<u>22,711</u>
Capital outlay	<u>69,308</u>
Total expenditures	<u><u>\$ 1,186,138</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132
TSI-4. Taxes Levied and Receivable
June 30, 2019

	Maintenance Taxes
Taxes Receivable, Beginning of Year	\$ 1,988
Adjustments to Prior Year Tax Levy	297
Adjusted Receivable	<u>2,285</u>
2018 Original Tax Levy	520,041
Adjustments	(2,207)
Adjusted Tax Levy	<u>517,834</u>
Tax collections:	
Current year	511,780
Prior years	2,211
Total Collections	<u>513,991</u>
Taxes Receivable, End of Year	<u>\$ 6,128</u>
Taxes Receivable, By Year	
2018	\$ 6,054
2017	74
Taxes Receivable, End of Year	<u>\$ 6,128</u>

	2018	2017	2016	2015
Property Valuations:				
Land	\$ 19,074,830	\$ 14,135,050	\$ 8,840,660	\$ 8,826,060
Improvements	20,542,790	1,067,090	93,740	93,420
Personal Property	569,390	589,580	382,610	
Exemptions	(5,664,746)	(4,905,887)	(4,892,394)	(6,129,800)
Total Property Valuations	<u>\$ 34,522,264</u>	<u>\$ 10,885,833</u>	<u>\$ 4,424,616</u>	<u>\$ 2,789,680</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates *	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
Adjusted Tax Levy:	<u>\$ 517,834</u>	<u>\$ 163,287</u>	<u>\$ 66,369</u>	<u>\$ 41,845</u>
Percentage of Taxes Collected to Taxes Levied **	<u>98.83%</u>	<u>99.95%</u>	<u>100.00%</u>	<u>100.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 9, 2015

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132
TSI-5. Long-Term Debt Service Requirements
Series 2018 Road--by Years
June 30, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	\$ -	\$ 203,197	\$ 203,197
2021	105,000	201,491	306,491
2022	110,000	197,997	307,997
2023	115,000	194,341	309,341
2024	120,000	190,553	310,553
2025	125,000	186,539	311,539
2026	130,000	182,235	312,235
2027	140,000	177,575	317,575
2028	145,000	172,515	317,515
2029	150,000	167,130	317,130
2030	160,000	161,155	321,155
2031	170,000	154,555	324,555
2032	175,000	147,655	322,655
2033	185,000	140,455	325,455
2034	195,000	132,660	327,660
2035	205,000	124,260	329,260
2036	215,000	115,440	330,440
2037	225,000	106,200	331,200
2038	235,000	96,187	331,187
2039	250,000	85,275	335,275
2040	260,000	73,800	333,800
2041	275,000	61,762	336,762
2042	285,000	49,163	334,163
2043	300,000	36,000	336,000
2044	315,000	22,163	337,163
2045	335,000	7,537	342,537
	<u>\$ 4,925,000</u>	<u>\$ 3,387,840</u>	<u>\$ 8,312,840</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132
TSI-6. Change in Long-Term Bonded Debt
June 30, 2019

	<u>Bond Issue</u> <u>Series 2018 Road</u>
Interest rate	3.20% - 4.50%
Dates interest payable	9/1; 3/1
Maturity dates	9/1/20 - 9/1/44
Beginning bonds outstanding	\$ -
Bonds issued	<u>4,925,000</u>
Ending bonds outstanding	<u>\$ 4,925,000</u>
Interest paid during fiscal year	<u>\$ 50,799</u>

Paying agent's name and city
Series 2018 Road The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas

Bond Authority:	<u>Water, Sewer and Drainage Bonds</u>	<u>Park and Recreational Facilities</u>	<u>Roads</u>	<u>Refunding</u>
Amount Authorized by Voters	\$ 333,620,000	\$ 57,930,000	\$ 65,095,000	\$ 456,645,000
Amount Issued			(4,925,000)	
Remaining To Be Issued	<u>\$ 333,620,000</u>	<u>\$ 57,930,000</u>	<u>\$ 60,170,000</u>	<u>\$ 456,645,000</u>

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

Debt Service Fund cash and investments balances as of June 30, 2019: \$ 263,859

Average annual debt service payment (principal and interest) for remaining term of all deb \$ 319,725

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016**	2015**
Revenues					
Water service	\$ 99,887	\$ 49,017	\$ 12,585	\$ -	\$ -
Sewer service	109,027	39,565	5,176		
Property taxes	513,991	161,171	66,201	42,389	
Penalties and interest	6,529	3,872	7,899	2,760	
Regional water authority fees	148,521	76,702	24,917		
Tap connection and inspection	181,255	154,365	64,190		
Miscellaneous	2,535	3,269	2,223		
Investment earnings	515	3,134	4,102	2,411	8
Total Revenues	1,062,260	491,095	187,293	47,560	8
Expenditures					
Current service operations					
Purchased services	478,792	212,439	156,443		
Professional fees	198,406	150,653	179,759	171,703	89,980
Contracted services	289,312	171,542	87,510	7,950	80
Repairs and maintenance	66,041	62,017	13,189		
Utilities	37,334	34,201	804		
Administrative	24,234	19,762	10,712	7,750	6,380
Other	22,711	774	3,586	108	
Capital outlay	69,308				
Total Expenditures	1,186,138	651,388	452,003	187,511	96,440
Revenues Under Expenditures	\$ (123,878)	\$ (160,293)	\$ (264,710)	\$ (139,951)	\$ (96,432)
Total Active Retail Water					
Connections	338	179	68	N/A	N/A
Total Active Retail Wastewater					
Connections	327	173	65	N/A	N/A

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016**	2015**
9%	10%	7%		
10%	8%	3%		
48%	33%	35%	89%	
1%	1%	4%	6%	
14%	16%	13%		
17%	30%	35%		
*	1%	1%		
*	1%	2%	5%	100%
99%	100%	100%	100%	100%
45%	43%	84%		
19%	31%	96%	361%	1124750%
27%	35%	47%	17%	1000%
6%	13%	7%		
4%	7%	*		
2%	4%	6%	16%	79750%
2%	*	2%	*	
7%				
112%	133%	242%	394%	1205500%
(13%)	(33%)	(142%)	(294%)	(1,205,400%)

Fort Bend County Municipal Utility District No. 132
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fu
For the Current Fiscal Year

	<u>Amounts</u>	<u>Percent of Fund Total Revenues</u>
	<u>2019</u>	<u>2019</u>
Revenues		
Investment earnings	<u>\$ 374</u>	<u>100%</u>
Expenditures		
Tax collection services	108	29%
Debt service		
Interest and fees	<u>41,203</u>	<u>11017%</u>
Total Expenditures	<u>41,311</u>	<u>11046%</u>
Revenues Under Expenditures	<u>\$ (40,937)</u>	<u>(10,946%)</u>

*Percentage is negligible

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 132
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2019

Complete District Mailing Address: 1300 Post Oak Blvd., Suite 1400, Houston, Texas 77056

District Business Telephone Number: (713) 623-4531

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): February 14, 2019

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

(Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimbursements</u>	<u>Title at Year End</u>
Board Members				
Brian Dekle	05/16 to 05/20	\$ 1,650	\$ -	President
Paresha Patel	05/18 to 05/22	1,650	95	Vice President
Chris Barnett	05/18 to 05/22	1,800		Secretary
Hetal Bhavsar	05/16 to 05/20	1,200	139	Assistant Secretary
Amit Patel	08/18 to 05/22	1,050	210	Director
Consultants				
Schwartz, Page & Harding, L.L.P.	2015	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 119,442		
<i>Bond counsel</i>		134,235		
Environmental Development Partners	2016	303,144		Operator
Myrtle Cruz, Inc.	2015	20,542		Bookkeeper
Assessments of the Southwest	2015	3,855		Tax Collector
Fort Bend Central Appraisal District	Legislation	5,963		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2016	8		Delinquent Tax Attorney
Costello, Inc.	2015	184,356		Engineer
McGrath & Co., PLLC	Annual	14,150		Auditor
Masterson Advisors LLC	2018	102,577		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN