

OFFICIAL STATEMENT DATED JULY 21, 2021

IN THE OPINION OF BOND COUNSEL (HEREINAFTER DEFINED), INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE NOT BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "NOT QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE - Book-Entry-Only

**S&P Global Ratings (AGM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.**

\$16,510,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 134E

(A Political Subdivision of the State of Texas, located within Fort Bend County)

UNLIMITED TAX BONDS, SERIES 2021

Interest accrues from: August 1, 2021

Due: September 1, as shown below

The \$16,510,000 Fort Bend County Municipal Utility District No. 134E Unlimited Tax Bonds, Series 2021 (the "Bonds") are obligations of Fort Bend County Municipal Utility District No. 134E (the "District") and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Houston, Texas, the City of Richmond, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; Fort Bend County, Texas, the City of Houston, Texas, the City of Richmond, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas, or any successor paying agent/registrant (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." Principal of the Bonds is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds is payable on March 1, 2022, and each September 1 and March 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date (the "Record Date"). Unless otherwise agreed between the Paying Agent/Registrar and a Bondholder, such interest is payable by check mailed to such persons or by other means acceptable to such person and the Paying Agent/Registrar. The Bonds are issuable in denominations of \$5,000 of principal or any integral multiple thereof in fully registered form only.

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

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



The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system (the "System") to serve the District. Voters in the District have authorized a total of \$307,000,000 principal amount of bonds for the System. Following the issuance of the Bonds, \$266,335,000 of authorized unlimited tax bonds will remain unissued. See "THE BONDS – Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District.

The Bonds are offered when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. The Bonds in definitive form are expected to be available for delivery in Houston, Texas, on or about August 19, 2021. See "LEGAL MATTERS."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$16,510,000 Unlimited Tax Bonds, Series 2021

\$9,520,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 34683T (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 34683T (b)
2022	\$415,000	3.500%	0.250%	CC1	2032 (c)	\$610,000	2.000%	1.700%	CN7
2023	470,000	3.500%	0.350%	CD9	2033 (c)	630,000	2.000%	1.850%	CP2
2024	480,000	3.500%	0.500%	CE7	2034 (c)	645,000	2.000%	2.000%	CQ0
2025	495,000	3.500%	0.650%	CF4	2035 (c)	665,000	2.000%	2.050%	CR8
2026	510,000	3.500%	0.800%	CG2	2036 (c)	685,000	2.000%	2.100%	CS6
****	****	****	****	****	2037 (c)	705,000	2.000%	2.150%	CT4
2029 (c)	560,000	1.250%	1.400%	CK3	2038 (c)	730,000	2.000%	2.200%	CU1
2030 (c)	575,000	1.375%	1.550%	CL1	2039 (c)	750,000	2.125%	2.250%	CV9
2031 (c)	595,000	1.500%	1.700%	CM9					

\$6,990,000 Term Bonds

\$1,065,000 Term Bonds Due September 1, 2028 (c) (d), Interest Rate: 3.000% (Price: \$109.793) (a), CUSIP No. 34683T CJ6 (b)
 \$2,390,000 Term Bonds Due September 1, 2042 (c) (d), Interest Rate: 2.250% (Price: \$98.750) (a), CUSIP No. 34683T CY3 (b)
 \$3,535,000 Term Bonds Due September 1, 2046 (c) (d), Interest Rate: 2.250% (Price: \$97.189) (a), CUSIP No. 34683T DC0 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchaser and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may subsequently be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2021 is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 2027, and thereafter, 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, 2026, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years in the amounts as set forth herein. See "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

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

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. 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 such information actually comes to its attention, the other matters described in this Official Statement, until delivery of the Bonds to the Underwriter and thereafter only as specified in "SOURCES OF INFORMATION - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page of this Official Statement, at a price of 97.048974% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.380389%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

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

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating

agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention:

Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

RATINGS

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

The District is not aware of any rating assigned to the Bonds other than the rating of S&P as described above.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer	Fort Bend County Municipal Utility District No. 134E (the "District"), a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution, is located in Fort Bend County, Texas. See "THE DISTRICT." The District was created by an Order Dividing Fort Bend County Municipal Utility District No. 134A and Redefining Boundaries, dated February 13, 2015 (the "Order Dividing"), pursuant to Chapter 1342, Acts of the 77 th Legislature, Regular Session, 2001, as Amended by Senate Bill 1872, 79 th Legislature, Regular Session, 2005, and Senate Bill 1823, 83 rd Legislature, Regular Session, 2013 (collectively, the "Act"). The District is vested with all rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Article XVI, Section 59 of the Texas Constitution, the Act, and Chapters 49 and 54 of the Texas Water Code, as amended.
The Issue	The District is issuing its \$16,510,000 Unlimited Tax Bonds, Series 2021 (the "Bonds"). Interest accrues from August 1, 2021, and the Bonds mature in serial installments on September 1 of each of the years and in the amounts shown on the cover hereof. Interest is payable March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption.
Redemption Provisions	<p>The Bonds maturing on September 1, 2027, and thereafter, 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, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS – Redemption Provisions – <i>Optional Redemption.</i>"</p> <p>The Bonds maturing on September 1, 2022, through September 1, 2026, both inclusive and September 1, 2029, through September 1, 2039, both inclusive are serial bonds. The Bonds maturing on September, in the years 2028, 2042, and 2046 are term bonds (the "Term Bonds"), which have mandatory sinking fund redemption provisions set out herein under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption.</i>"</p>
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, the City of Richmond, Texas, or any entity other than the District. See "THE BONDS – Sources of Payment."
Short-Term Debt	In connection with the Bonds, the District has issued its \$9,590,000 Bond Anticipation Note, Series 2020, dated November 30, 2020 (the "BAN"), and distributed proceeds from sale of the BAN as described below. The BAN accrues interest at a rate of 0.450% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on November 29, 2021, unless called for redemption prior to maturity.
Use of Proceeds	Proceeds from sale of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the construction costs set out herein under "THE BONDS – Use and Distribution of Bonds Proceeds." Proceeds of the Bonds will also be used to: reimburse the Developer for the portion of said construction costs that was not reimbursed by the BAN, pay six (6) months of capitalized interest on the Bonds, and pay costs of issuance associated with the BAN and the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information.
Authority	The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"); the order of the District's Board of Directors authorizing the issuance of the Bonds (the "Bond Order"); an election held on May 9, 2015; and Article XVI, Section 59 of the Texas

	Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE DISTRICT – General.”
Not Qualified Tax-Exempt Obligations.....	The District has NOT designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.”
Payment Record.....	The Bonds constitute the third issuance of bonded indebtedness by the District. See “THE BONDS – Source of Payment.”
Municipal Bond Insurance.....	Assured Guaranty Municipal Corp. See “MUNICIPAL BOND INSURANCE.”
Ratings	S&P Global Ratings (AGM Insured): “AA.” See “RATINGS.”
Legal Opinion	Coats Rose, P.C., Houston, Texas, Bond Counsel. See “LEGAL MATTERS.”
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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. 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.
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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 Central Texas area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods partially 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.

THE DISTRICT

Description.....	Fort Bend County Municipal Utility District No. 134E, a political subdivision of the State of Texas, is located in Fort Bend County, Texas, approximately 20 miles southwest of downtown Houston, Texas. The District is located approximately 1 mile west of the intersection of U.S. Highway 99 and West Airport Boulevard. The land within the District is partially within the extraterritorial jurisdiction (“ETJ”) of the City of Houston, Texas, partially within the ETJ of the City of Richmond, Texas, and partially not within the ETJ or corporate boundaries of any city. See “THE DISTRICT – General, and – Description.”
Harvest Green	The District is part of the approximately 1,052-acre master planned community known as “Harvest Green.” At full development, Harvest Green is projected to include single family, multi-family, institutional (churches, schools, etc.) and commercial development. Development of Harvest Green began in 2015. See “HARVEST GREEN.”

Status of Development Within the District..... Of the approximately 493.04 acres of land located within the District, approximately 255.23 acres have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Harvest Green, Sections 16-29 (904 lots). As of June 1, 2021, the District was comprised of 831 completed and occupied homes; 3 completed and unoccupied homes; 45 homes under construction; and 25 vacant, developed lots. There is currently 28.15 acres of commercial development which includes two retail shopping centers, a carwash, a gas station, and a community center.

The remaining acreage within the District is comprised of 34.54 undeveloped but developable acres and 175.12 undevelopable acres. See "DEVELOPMENT WITHIN THE DISTRICT."

Developer/Principal Landowner..... The principal developer of land and/or landowner within the District is Grand Parkway 1358 LP, a Texas limited partnership ("Grand Parkway 1358"), which is directly or indirectly owned and/or controlled by the State of Texas General Land Office. See "DEVELOPER/PRINCIPAL LANDOWNER."

Homebuilders Homebuilders active within the District include DR Horton, Newmark Homes, Lennar Homes, Plantation Homes, Meritage Homes, Westin Homes, Highland Homes, Perry Homes, David Weekley Homes, Darling Homes, Coventry Homes and Tri Pointe Homes. Homes within the District range in price from \$240,000 to \$750,000 and in square footage from 1,600 to 4,600. See "DEVELOPER/PRINCIPAL LANDOWNER."

RISK FACTORS

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2020 Certified Assessed Valuation.....		\$ 183,916,140 (a)
2021 Preliminary Valuation		\$ 319,054,337 (b)
Direct Debt:		
Outstanding Bonds	\$ 23,870,000	
The Bonds	<u>\$ 16,510,000</u>	
Total	\$ 40,380,000	
Estimated Overlapping Debt	<u>\$ 19,125,240</u>	(c)
Total Direct and Estimated Overlapping Debt	<u>\$ 59,505,240</u>	
Ratio of Direct Debt to	2020 Certified Assessed Valuation (\$183,916,140)	21.96%
	2021 Preliminary Valuation (\$319,054,337).....	12.62%
Ratio of Direct and Estimated		
Overlapping Debt to	2020 Certified Assessed Valuation (\$183,916,140)	32.35%
	2021 Preliminary Valuation (\$319,054,337)	18.59%
Debt Service Fund Balance (as of June 16, 2021)	\$ 1,498,157	(d)
General Fund Balance (as of June 16, 2021).....	\$ 956,997	
Capital Projects Fund Balance (as of June 16, 2021).....	\$ 3,269,701	
2020 Tax Rate		
Debt Service	\$0.72	
Maintenance & Operation	<u>0.28</u>	
Total	<u>\$1.00</u>	
Average Annual Debt Service Requirements (2021-2046)	\$ 2,076,376	(e)
Maximum Annual Debt Service Requirements (2044)	\$ 2,411,088	(e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirement (2021-2046) at 95% Tax Collections		
Based Upon 2020 Certified Assessed Valuation (\$183,916,140).....	\$1.19	
Based on the 2021 Preliminary Valuation.....	\$0.69	
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirement (2044) at 95% Tax Collections		
Based Upon 2020 Certified Assessed Valuation (\$183,916,140).....	\$1.38	
Based on the 2021 Preliminary Valuation.....	\$0.80	
Single-Family Homes (including 45 homes under construction) as of June 1, 2021	878	(f)
Estimated District Population.....	2,909	(g)

- (a) As of January 1, 2020. As certified by the Fort Bend Central Appraisal District (the "FBCAD"). See "TAXING PROCEDURES."
- (b) Provided by FBCAD as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to protest, review, and downward adjustment prior to certification. No tax will be levied on this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt Statement."
- (d) Represents six months of capitalized interest set aside from the proceeds of the Bonds estimated at 3.00%. Neither State law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Additionally, accrued interest on the Bonds from August 1, 2021, to the date of delivery thereof will be deposited to this fund upon closing of the Bonds.
- (e) See "DISTRICT DEBT – Debt Service Requirements."
- (f) Approximately 831 homes are occupied and 47 homes are unoccupied.
- (g) Based on 3.5 people per occupied single-family residence.

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 134E (the “District”), of its \$16,510,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”); the order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held on May 9, 2015; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas (the “State”), including Chapters 49 and 54, Texas Water Code, as amended.

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

RISK FACTORS

General

The Bonds, are obligations of the District and are not obligations of the State, Fort Bend County, Texas, the City of Houston, Texas, the City of Richmond, Texas or any political subdivision other than the District. The Bonds are secured by a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Economic Factors Affecting Taxable Values and Tax Payments

The rate of development within the District is directly related to the vitality of the single-family housing in the Houston metropolitan area. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

Developer’s Obligations to the District: There is no commitment by or legal requirement of the Developer (defined herein), or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner’s right to sell its land. Therefore, the District can make no representation about the profitability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT WITHIN THE DISTRICT,” and “DEVELOPER/PRINCIPAL LANDOWNER.”

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption “TAX DATA – Principal Taxpayers,” as of January 1, 2020, the District’s principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 10.34% of the District’s total assessed valuation.

In the event that any taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rate: 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 property owners to pay their taxes. The 2020 Certified Assessed Valuation of property within the District is \$183,916,140, and the preliminary valuation as of January 1, 2021 is \$319,054,337. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,411,088 (2044) and the average annual debt service requirement will be \$2,076,376 (2021 through 2046, inclusive). Assuming no increase or decrease from the 2020 Certified Assessed Valuation, a tax rate of \$1.38 per \$100 assessed

valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,411,088 and a tax rate of \$1.19 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirements of \$2,076,376 (see “DISTRICT DEBT – Debt Service Requirements”). Assuming no increase to nor decrease from the preliminary valuation as of January 1, 2021, tax rates of \$0.80 and \$0.69 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The District levied a 2020 Tax Rate of \$0.28 per \$100 of assessed valuation for maintenance and operations purposes and \$0.72 per \$100 of assessed valuation for debt service purposes.

Environmental Regulations

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

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

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

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

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

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

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ 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. In order to maintain MS4 Permit compliance, the District is partnering with the city of League City (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

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

Infectious Disease Outlook – COVID-19

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the 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 and reopening of the State. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor’s order also maintains, in providing or obtaining services every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive GA-36 prohibits governmental entities in the State, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine up to \$1,000 for noncompliance, subject to certain exceptions. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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 Texas 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 partially 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.

Hurricane Harvey

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

Inclement Weather

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

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

Overlapping Taxes

The District lies entirely within the boundaries of Fort Bend County Municipal Management District No. 1 ("FB MMD 1"). As of May 31, 2021, FB MMD 1 had \$34,695,000 in bonds outstanding. The debt service on bonds issued by FB MMD 1 is paid from ad valorem taxes, which taxes are in addition to taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with the property located in other real estate developments, the tax rate of the District, FB MMD 1, and other taxing jurisdictions must be added. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated within the District will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. FB MMD 1 set a 2020 Tax Rate of \$0.45 per \$100 assessed valuation. Such combined rates are higher than tax rates presently being levied in utility districts in the general vicinity of the District. The District can make no representation that taxable property values in the District and FB MMD 1 will maintain value sufficient to support the continued payment of taxes by property owners. See "SELECTED FINANCIAL INFORMATION."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under State 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 judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property.

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA—Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). 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 assessed against such taxpayer.

Registered Owners' Remedies

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. Subject to the holdings of several recent Texas Supreme Court cases discussed below, a registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. In addition, the Texas Supreme Court has ruled that a waiver of sovereign immunity must be provided for by statute in clear and unambiguous language and that certain statutory language previously relied upon by lower courts to support a finding that sovereign immunity had been waived did not constitute a clear and unambiguous waiver of sovereign immunity. Neither the remedy of mandamus nor any other type of injunctive relief was considered in these recent Supreme Court cases; and, in general, State courts have held that a writ of mandamus may be issued to require a public official to perform ministerial acts that clearly pertain to their duties, such as a legal duty that leaves nothing to the exercise of discretion or judgment. State courts have also held that mandamus may be used to require a public official to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract. The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding

brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See "THE BONDS - Registered Owners' Remedies."

Future Debt

Following the issuance of the Bonds, the District will have \$266,335,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system authorized but unissued and \$460,500,000 in principal amount of bonds for refunding purposes. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. 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. See "DEVELOPMENT WITHIN THE DISTRICT."

After the issuance of the Bonds, the District will owe the Developer approximately \$7,189,775 for the existing facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston Residential Market

The housing industry in the Houston, Texas area is very competitive, and the District can give no assurance that the building programs which are planned by the Developer will be continued or completed. The respective competitive positions of the Developer and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Collection of Taxes

The District's ability to pay debt service on the Bonds may be adversely affected by its ability to collect ad valorem taxes. Under State law, the levy of ad valorem taxes by the District constitutes a lien on the property in favor of the District on a parity with the lien of all other state and local authorities. Such lien can be foreclosed in judicial proceedings. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) collection procedures, (b) a bankruptcy court's stay of a tax collection procedure against a taxpayer or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property including the taxpayer's right to redeem property for a specified period of time after foreclosure at the foreclosure sale price. See "TAXING PROCEDURES."

Marketability of the Bonds

Other than as described in the Notice of Sale, the District has no understanding 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of State law, the District may voluntarily proceed under Chapter 9. Under State law, the District must obtain the approval of the Texas Commission on Environmental Quality prior to filing bankruptcy. The rights and remedies of the Bondholders could be adjusted in accordance with the confirmed plan of adjustment of the District's debt.

Continuing Compliance with Certain Covenants

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

Bond Insurance

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

have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond 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 bond insurer and of the ratings on the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

Neither the District nor Initial Purchaser has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond 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 bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

2021 Legislation

The Texas Legislature recently closed session for its 87th Regular Session (the "Regular Session"). The Governor may call one or more additional special sessions following the Regular Session. During this time, the Texas Legislature may enact laws that materially change taxing procedures or statutory authority related thereto. The District can make no representation regarding the actions the Texas Legislature may take.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

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

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel (as defined herein). 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.

The Bonds will mature on September 1 of the years and in principal amounts, and will bear interest from August 1, 2021, or the most recent interest payment date, at the rates per annum, set forth on the cover page of this Official Statement. Interest on the Bonds will be payable March 1, 2022, and semiannually thereafter on each September 1 and March 1 until maturity or redemption. The Bonds maturing on September 1, 2027, and thereafter, 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, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity are redeemed, the Paying Agent/Registrar (as defined below) shall select the particular Bonds to be redeemed by random selection method.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially 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-only system described herein. No physical delivery of the

Bonds will be made to the owners thereof. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas (the “Paying Agent/Registrar”), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC 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” Below.

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

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s 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 believes the source of such information to be reliable, but takes no 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.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The

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

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

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

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

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

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

The District may decide to discontinue use of the 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.

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or

indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued</u>	<u>Remaining Authorized But Unissued</u>
May 9, 2015	Water, Sewer and Drainage and Refunding	\$307,000,000	\$40,665,000 (a)	\$266,335,000

(a) Includes Outstanding Bonds and the Bonds.

The Bonds are issued pursuant to an order of the TCEQ; the Bond Order; an election held on May 9, 2015; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including Chapters 49 and 54, Texas Water Code, as amended.

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

Source of Payment

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

Redemption Provisions

Optional Redemption

The Bonds maturing on September 1, 2027, and thereafter, shall be subject to redemption at the option of the District, in whole or from time to time in part, on September 1, 2026, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Bondholder of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The Bondholder of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2028, 2042, and 2046 (the "Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption ("Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$1,065,000 Term Bond due September 1, 2028

Mandatory Redemption Date	Principal Amount
September 1, 2027	\$525,000
September 1, 2028 (maturity)	540,000

\$2,390,000 Term Bond due September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2040	\$775,000
September 1, 2041	795,000
September 1, 2042 (maturity)	820,000

\$3,535,000 Term Bond due September 1, 2046

Mandatory Redemption Date	Principal Amount
September 1, 2043	\$845,000
September 1, 2044	870,000

September 1, 2045
September 1, 2046 (maturity)

895,000
925,000

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

Annexation

The District is located partially within the extraterritorial jurisdiction ("ETJ") of the City of Houston, Texas, partially within the ETJ of the City of Richmond, Texas, and partially not within the ETJ or corporate boundaries of any city. The City of Houston, Texas and the City of Richmond, Texas are home-rule cities, and as such, they have the authority to annex land within their respective ETJs; however, neither city may annex land in the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. If one of these cities were to annex land that is within its ETJ and within the District, the District would not be dissolved; the annexed land would be subject to taxation by both the applicable city and the District.

Consolidation

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

Defeasance

The Bond Order provides that the District may discharge its obligations to the Bondholder of any or all of the Bonds to pay principal of, interest on and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State 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 or payment (paying agent) for obligations of the District payable from ad valorem taxes, amounts sufficient to provide for 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. In the Bond Order, the District has specifically reserved the right to call the Bonds for redemption after the defeasance thereof.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and

transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Issuance of Additional Debt

The District may issue additional bonds. The District's voters have authorized a total of \$307,000,000 principal amount of bonds for the System and the refunding of such bonds. The Bonds are the third series of unlimited tax bonds issued by the District for the System. Following the issuance of the Bonds, \$266,335,000 principal amount of unlimited tax bonds for the System will remain authorized and unissued.

Following the issuance of the Bonds, the District will owe the Developer (as defined herein) approximately \$7,189,775 for District projects, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, Jones | Carter (the "Engineer"), following the issuance of the bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the extension of the System to serve the remaining undeveloped land within the District.

Amendments to the Bond Order

The District may, without the consent of or notice to any Bondholder, amend the Bond Order in any manner not detrimental to the interests of the Bondholder, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Bondholders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Registered Owners' Remedies

The Bond Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition. Furthermore, the Bond Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. Subject to the holdings of several recent Texas Supreme Court cases discussed below, a registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. In addition, the Texas Supreme Court ruled that a waiver of sovereign immunity must be provided for by statute in clear and unambiguous language and that certain statutory language previously relied upon by lower courts to support a finding that sovereign immunity had been waived did not constitute a clear and unambiguous waiver of sovereign immunity. Neither the remedy of mandamus nor any other type of injunctive relief was considered in these recent Supreme Court cases; and, in general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform ministerial acts that clearly pertain to their duties, such as a legal duty that leaves nothing to the exercise of discretion or judgment. Texas courts have also held that mandamus may be used to require a public official to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract. The District is also eligible to seek relief from its creditors under Chapter 9. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection

from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bond Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code. See "RISK FACTORS - Registered Owners' Remedies," and "- Bankruptcy Limitation to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any 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.

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Use and Distribution of Bond Proceeds

The construction costs below were compiled by the District's Engineer and were submitted to the TCEQ in the District's Bond Application Report. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

	<u>District's Share</u>
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Harvest Green Section 25A – W, WW, & D	\$ 1,981,587
2. Harvest Green Section 25B – W, WW, & D	913,937
3. Harvest Green Section 27 – W, WW, & D	889,930
4. Harvest Green Section 28 – W, WW, & D	629,315
5. Fresh Garden Way – W, WW, & D	177,043
6. Harvest Green Section 29 – W, WW, & D	675,910
7. Harvest Home Drive Phase 2C	1,629,477
8. Engineering (Items 1 – 7)	<u>1,031,915</u>
Total Developer Contribution Items	\$ 7,929,114
B. District Items	
1. WWTP Expansion to 0.6 MGD	\$ 673,183
2. Water Plant No. 2	2,627,560
3. Contingencies (10% of Items 1-2)	330,074
4. Engineering (15.70% of Items 1-3)	570,158
5. Harvest Green Section 29 Joint Water Line	63,022
6. Harvest Green Detention Phase 3	96,763
7. Engineering (13.84% of Items 5-6)	22,110
8. Land Acquisition Costs	<u>1,035,047</u>
Total District Items	\$ 5,417,917
TOTAL CONSTRUCTION COSTS	<u>\$13,347,031</u>
NONCONSTRUCTION COSTS	
A. Legal Fees	\$ 370,200
B. Fiscal Agent Fees	330,200
C. Interest Costs	
1. Capitalized Interest (6 months)	190,691
2. Developer Interest	763,533
3. BAN Interest	31,407
D. Bond Discount	487,214
E. Bond Issuance Expenses	27,233
F. BAN Issuance Expenses	213,967
G. Bond Application Report Costs	55,000
H. Bullhead Bayou Drainage Study	72,535
I. Attorney General Fee (0.10% or \$9,500)	9,500
J. TCEQ Bond Issuance Fee (0.25%)	41,275
K. Contingency (a)	<u>570,214</u>
TOTAL NONCONSTRUCTION COSTS	<u>\$ 3,162,969</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$16,510,000</u>

(a) Represents the difference between the estimated and actual costs of Capitalized Interest, BAN Interest, and Bond Discount.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses in accordance with the rules of the TCEQ. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

DISTRICT DEBT

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2020 Certified Assessed Valuation.....		\$ 183,916,140 (a)
2021 Preliminary Valuation		\$ 319,054,337 (b)
Direct Debt:		
Outstanding Bonds		\$ 23,870,000
The Bonds		<u>\$ 16,510,000</u>
Total		\$ 40,380,000
Estimated Overlapping Debt		<u>\$ 19,125,240 (c)</u>
Total Direct and Estimated Overlapping Debt		<u>\$ 59,505,240</u>
Ratio of Direct Debt to	2020 Certified Assessed Valuation (\$183,916,140)	21.96%
	2021 Preliminary Valuation (\$319,054,337)	12.62%
Ratio of Direct and Estimated		
Overlapping Debt to.....	2020 Certified Assessed Valuation (\$183,916,140)	32.35%
	2021 Preliminary Valuation (\$319,054,337)	18.59%
Debt Service Fund Balance (as of June 16, 2021)		\$ 1,498,157 (d)
General Fund Balance (as of June 16, 2021).....		\$ 956,997
Capital Projects Fund Balance (as of June 16, 2021).....		\$ 3,269,701
2020 Tax Rate		
Debt Service	\$0.72	
Maintenance & Operation	<u>0.28</u>	
Total		<u>\$1.00</u>
Average Annual Debt Service Requirements (2021-2046)		\$ 2,076,376 (e)
Maximum Annual Debt Service Requirements (2044)		\$ 2,411,088 (e)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual		
Debt Service Requirements on the Bonds (2021-2046) at 95% Tax Collections		
Based Upon 2020 Certified Assessed Valuation (\$183,916,140).....		\$1.19
Based on the 2021 Preliminary Valuation.....		\$0.69
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual		
Debt Service Requirements on the Bonds (2044) at 95% Tax Collections		
Based Upon 2020 Certified Assessed Valuation (\$183,916,140).....		\$1.38
Based on the 2021 Preliminary Valuation.....		\$0.80

(a) As of January 1, 2020. As certified by the Fort Bend Central Appraisal District (the "FBCAD"). See "TAXING PROCEDURES."

(b) Provided by FBCAD as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to protest, review, and downward adjustment prior to certification. No tax will be levied on this amount. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT - Estimated Overlapping Debt Statement."

(d) Represents six months of capitalized interest set aside from the proceeds of the Bonds estimated at 3.00%. Neither State law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Additionally, accrued interest on the Bonds from August 1, 2021, to the date of delivery thereof will be deposited to this fund upon closing of the Bonds.

(e) See "DISTRICT DEBT -Debt Service Requirements."

Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt as of May 31, 2021	Percent	Overlapping Amount
Fort Bend County	\$ 633,879,567	0.24%	\$ 1,521,311
Fort Bend ISD	1,278,953,767	0.40	5,115,815
Fort Bend County Municipal Management District No. 1	34,695,000	35.99	<u>12,488,114</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$ 19,125,240
Direct Debt			<u>40,380,000</u> (a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			<u>\$ 59,505,240</u> (a)

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	2020 Certified Assessed Valuation	2020 Preliminary Valuation
Direct Debt (a)	21.96%	12.62%
Total Direct and Estimated Overlapping Debt (a)	32.35%	18.59%

(a) Includes the Outstanding Bonds and the Bonds.

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Debt Service Requirements

The following schedule sets forth the principal and interest requirements on the Bonds.

Year Ending 12/31	The Bonds				Total Debt Service
	Outstanding Debt Service	Principal	Interest	Total New Debt Service	
2021	\$ 932,903	\$ -	\$ -	\$ -	\$ 932,903
2022	1,253,356	415,000	413,163	828,163	2,081,519
2023	1,249,781	470,000	366,856	836,856	2,086,638
2024	1,240,081	480,000	350,406	830,406	2,070,488
2025	1,239,481	495,000	333,606	828,606	2,068,088
2026	1,232,531	510,000	316,281	826,281	2,058,813
2027	1,238,831	525,000	298,431	823,431	2,062,263
2028	1,245,094	540,000	282,681	822,681	2,067,775
2029	1,255,294	560,000	266,481	826,481	2,081,775
2030	1,263,794	575,000	259,481	834,481	2,098,275
2031	1,276,794	595,000	251,575	846,575	2,123,369
2032	1,299,194	610,000	242,650	852,650	2,151,844
2033	1,309,656	630,000	230,450	860,450	2,170,106
2034	1,324,481	645,000	217,850	862,850	2,187,331
2035	1,342,938	665,000	204,950	869,950	2,212,888
2036	1,354,881	685,000	191,650	876,650	2,231,531
2037	1,370,369	705,000	177,950	882,950	2,253,319
2038	1,389,244	730,000	163,850	893,850	2,283,094
2039	1,401,331	750,000	149,250	899,250	2,300,581
2040	1,417,444	775,000	133,313	908,313	2,325,756
2041	1,432,456	795,000	115,875	910,875	2,343,331
2042	1,449,775	820,000	97,988	917,988	2,367,763
2043	1,465,813	845,000	79,538	924,538	2,390,350
2044	1,480,563	870,000	60,525	930,525	2,411,088
2045	743,125	895,000	40,950	935,950	1,679,075
2046	-	925,000	20,813	945,813	945,813
	<u>\$ 32,209,209</u>	<u>\$ 16,510,000</u>	<u>\$ 5,266,563</u>	<u>\$ 21,776,563</u>	<u>\$ 53,985,772</u>

Average Annual Requirements - (2021-2046) \$2,076,376
Maximum Annual Requirement - (2044)..... \$2,411,088

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under "THE BONDS - Source of Payment." Under State law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA- Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code"), specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "FBCAD") has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the FBCAD or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and

\$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential 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 the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

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

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

jurisdiction. None of the area within the District has been designated as a Reinvestment Zone to date, and the District has not approved any such tax abatement agreements.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the FBCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

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

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. Effective September 1, 2003, the District was required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates can not be reduced by a rollback election held within any of the districts described below.

Low Tax Rate Districts

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

total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

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

Other Districts

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

The District

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. 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 FBCAD to compel compliance with the Property Tax Code.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes, unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. A person over sixty-five (65) years of age is entitled by law to pay current taxes on his residential homestead in installments or to defer tax without penalty during the time he owns and occupies the property as his residential homestead. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes 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 at least 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 State 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 equal 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 within the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. 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 the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien, however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, not to exceed \$1.50 per \$100 of assessed valuation, for operation and maintenance purposes. The District levied a 2020 Tax Rate of \$1.00 per \$100 of assessed valuation for operation and maintenance and debt service purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$1.50 per \$100 Assessed Valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2017-2020 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections Current Year	Period Ending 9/30	% of Collections as of 5/31/2021
2017	\$ 1,520,537	\$1.00	\$ 15,205	100.00%	2018	100.00
2018	8,522,919	1.00	85,229	100.00	2019	100.00
2019	63,029,790	1.00	630,298	100.00	2020	100.00
2020	183,916,140	1.00	1,839,161	99.50 (b)	2021	99.50

(a) Includes a tax for maintenance and operation and debt service purposes. See "- Tax Rate Distribution" below.

(b) Collections as of May 31, 2021.

Tax Rate Distribution

	2020	2019	2018	2017 (a)
Debt Service	\$0.720	\$0.560	\$0.000	\$0.000
Maintenance	<u>0.280</u>	<u>0.440</u>	<u>1.000</u>	<u>1.000</u>
	<u>\$1.000</u>	<u>\$1.000</u>	<u>\$1.000</u>	<u>\$1.000</u>

(a) The District levied its operations and maintenance tax for the first time in 2017.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2017-2020 by type of property.

Type of Property	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation	2017 Assessed Valuation
Land	\$61,142,739	\$39,140,009	\$10,886,749	\$5,916,553
Improvements	131,366,167	30,120,607	2,519,236	8,660
Personal Property	1,021,980	710,120	0	0
Less Exemption	<u>(9,614,746)</u>	<u>(6,940,946)</u>	<u>(4,883,066)</u>	<u>(4,404,676)</u>
Total	<u>\$183,916,140</u>	<u>\$63,029,790</u>	<u>\$ 8,522,919</u>	<u>\$1,520,537</u>

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2020:

Taxpayer	Type of Property	Assessed Valuation 2020 Tax Roll	% of Tax Roll
Grand Parkway 1358 LP (a)	Land & Improvements	\$ 17,705,239	2.813%
Landmark Industries	Land & Improvements	4,324,290	2.351%
Walcher Simpson Investments LLC	Land & Improvements	2,474,150	1.345%
Arvo-II LLC	Land & Improvements	2,243,770	1.220%
Trendmarker Homes Inc	Land & Improvements	1,020,000	0.555%
Houston IShine 17 LLC	Land & Improvements	1,008,960	0.549%
Darling Homes of Texas LLC	Land & Improvements	860,000	0.468%
Arvo-III LLC	Land & Improvements	818,100	0.445%
MHI Partnership LTD	Land & Improvements	555,000	0.302%
Homeowner	Land & Improvements	<u>538,880</u>	<u>0.293%</u>
Total		\$ 19,016,657	<u>10.340%</u>

(a) See "DEVELOPER/PRINCIPAL LANDOWNER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2020 Certified Assessed Valuation (\$183,916,140), or the preliminary valuation as of January 1, 2021 (\$319,054,337). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2021-2046).....	\$ 2,076,376
Tax Rate of \$1.19 on the 2020 Certified Assessed Valuation at 95% collection produces	\$ 2,079,172
Tax Rate of \$0.69 on the 2021 Preliminary Valuation at 95% collection produces	\$ 2,091,401
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2044).....	\$ 2,411,088
Tax Rate of \$1.38 on the 2020 Certified Assessed Valuation at 95% collection produces	\$ 2,411,141
Tax Rate of \$0.80 on the 2021 Preliminary Valuation at 95% collection produces	\$ 2,424,813

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under State law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions

(see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by State law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2020 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2020 Tax Rate/ Per \$100 of A.V.</u>
The District	\$1.000000
Fort Bend County (a)	0.453207
Fort Bend Independent School District	1.240200
Fort Bend County MMD No. 1 (b)	<u>0.450000</u>
Estimated Total Tax Rate	<u>\$3.143407</u>

(a) Includes \$0.017331 for Fort Bend County Drainage District.

(b) See “RISK FACTORS – Overlapping Taxes.”

THE DISTRICT

General

The District is a political subdivision of the State, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution, located in Fort Bend County, Texas. The District was created by an Order Dividing Fort Bend County Municipal Utility District No. 134A and Redefining Boundaries dated February 13, 2015 (the “Order Dividing”), pursuant to Chapter 1342, Acts of the 77th Legislature, Regular Session, 2001, as amended, by Senate Bill 1872, 79th Legislature, Regular Session, 2013 (collectively, the “Act”). The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State applicable to municipal utility districts, including without limitation to those conferred by Article XVI, Section 59 of the Texas Constitution, the Act, and Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

Description

The District is located in central Fort Bend County, approximately 5 miles west of Sugar Land and 20 miles southwest of downtown Houston. The District is located approximately 1 mile west of the intersection of U.S. Highway 99 and West Airport Boulevard. The land within the District is partially within the ETJ of the City of Houston, Texas, partially within the ETJ of the City of Richmond, Texas and partially not within the ETJ or corporate boundaries of any city.

The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District may also provide solid waste collection and disposal service.

Management of the District

The District is governed by a board of five directors (the “Board”) which has control over and management supervision of all affairs of the District. Directors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Dwayne Chobotar	President	2024
Taylor Schmidt	Vice President	2022
Leala Hall	Secretary	2022
Autra Tipton	Assistant Secretary	2022
Jason Kirby	Assistant Secretary	2024

The District employs the following companies and individuals to operate its utilities and recreational facilities:

Tax Assessor/Collector – The District’s Tax Assessor/Collector is Tax Tech Inc.

Bookkeeper – The District contracts with L&S District Services, LLC, for bookkeeping services.

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. A copy of the District’s audit prepared

by McGrath & Co., PLLC for the fiscal year ended December 31, 2020, is included as “APPENDIX A” to this Official Statement.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is Jones | Carter.

Legal Counsel – The District has engaged Coats Rose, P.C. as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Coats Rose, P.C. also acts as general counsel for the District.

Disclosure Counsel – The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

DEVELOPMENT WITHIN THE DISTRICT

Of the approximately 493.04 acres of land located within the District, approximately 255.23 acres have been developed with water distribution, sanitary sewer and storm drainage facilities to serve the single-family residential subdivisions of Harvest Green, Sections 16-29 (904 lots). As of June 1, 2021, the District was comprised of 831 completed and occupied homes; 3 completed and unoccupied homes; 45 homes under construction; and 25 vacant, developed lots.

The following is a status of construction of single-family housing within the District as of June 1, 2021:

<u>Development</u>	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Occupied Homes</u>	<u>Completed Unoccupied Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
Harvest Green,						
Section 16	3.23	13	13	0	0	0
Section 17	18.37	60	60	0	0	0
Section 18	14.93	54	54	0	0	0
Section 19	22.22	83	80	2	1	0
Section 20	12.36	43	41	0	1	1
Section 21	12.27	38	38	0	0	0
Section 22	28.64	124	124	0	0	0
Section 23	18.23	86	85	0	1	0
Section 24	18.23	44	33	0	11	0
Section 25A	27.10	119	119	0	0	0
Section 25B	18.46	78	74	0	4	0
Section 26	7.68	17	17	0	0	0
Section 27	14.14	45	45	0	0	0
Section 28	21.82	23	23	1	15	2
Section 29	<u>17.55</u>	<u>25</u>	<u>25</u>	<u>0</u>	<u>12</u>	<u>22</u>
	255.23	904	831	3	45	25
Developed Commercial Acreage	28.15					
Undeveloped but Developable Acreage	34.54					
Undevelopable Acreage	<u>175.12</u>					
Total	<u>493.04</u>					

Homebuilders active within the District include DR Horton, Newmark Homes, Lennar Homes, Plantation Homes, Meritage Homes, Westin Homes, Highland Homes, Perry Homes, David Weekley Homes, Darling Homes, Coventry Homes and Tri Pointe Homes. Homes within the District range in price from \$240,000 to \$750,000 and in square footage from 1,600 to 4,600.

Current commercial development within the District includes the 3.5-acre Shops on Harlem Road, a 2.2-acre retail center, 2.1-acre car wash, a 3.6-acre Timewise gas station, and a 16.8 community center.

HARVEST GREEN

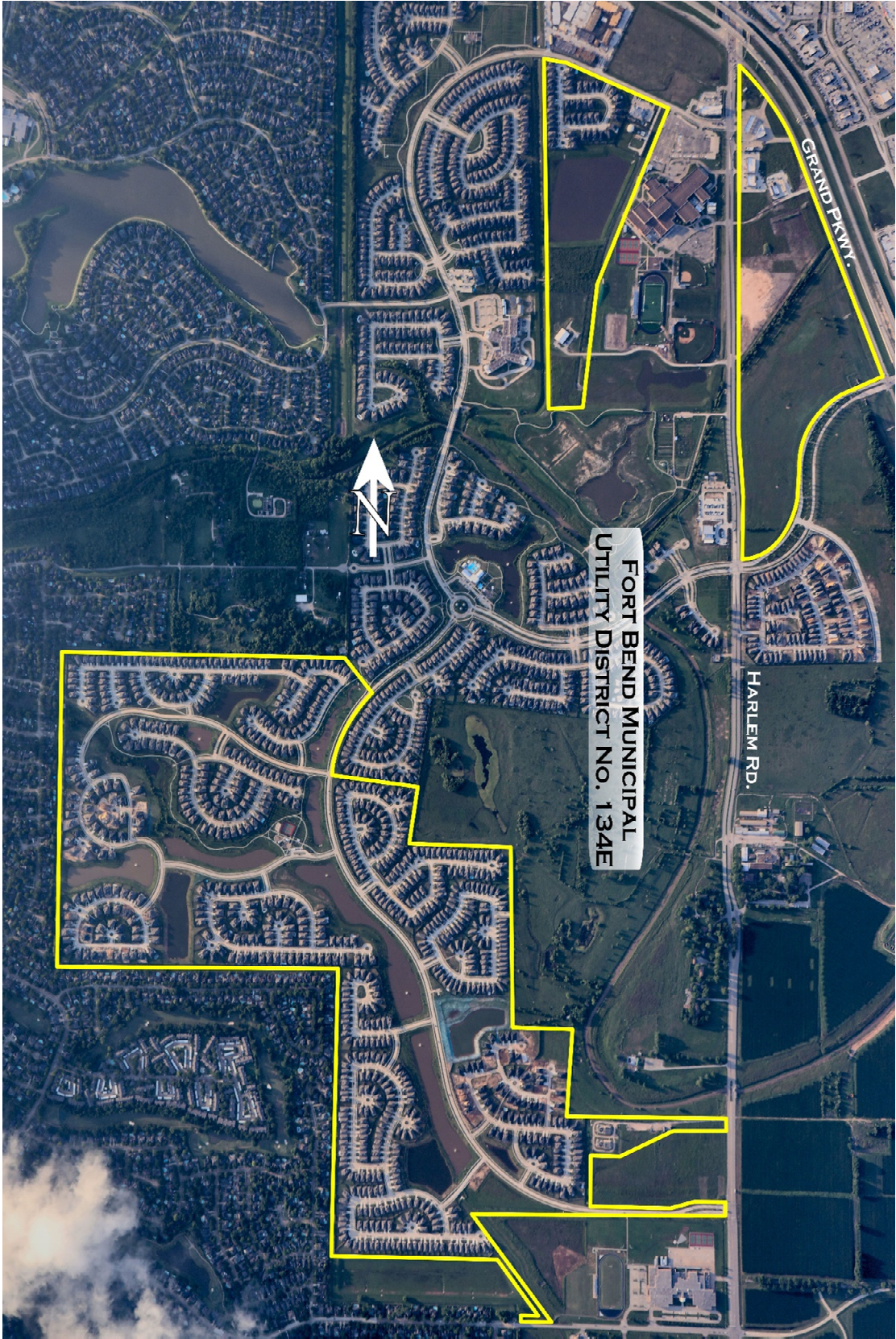
The District is part of the approximately 1,052-acre master planned community known as “Harvest Green.” The District is one of two municipal utility districts within Harvest Green with the power of acquiring or constructing a waterworks, wastewater and storm drainage system. At full development, Harvest Green is projected to include single family, multi-family, institutional (churches, schools, etc.) and commercial development. Development of Harvest Green began in 2015.

Two municipal utility districts have been created to encompass the land within Harvest Green: the District and Fort Bend County MUD 134D (“MUD 134D”). Each of the District and MUD 134D (collectively, the “Districts”) provides water, wastewater and storm drainage facilities to the property within their respective boundaries. The District operates and maintains certain shared water, wastewater and drainage facilities, including a leased wastewater treatment plant, for the benefit of the Districts. The Developer has advanced funds on behalf of the District and MUD 134D to finance the construction of the water and wastewater facilities to serve portions of the land within the District and MUD 134D. Development of water, sewer and drainage has begun in the District and MUD 134D. Development for MUD 134D began in 2015. Within MUD 134D, approximately 345.11 acres have been developed as Harvest Green, Sections 1-16 and 30 (1,033 lots). As of May 1, 2021, MUD 134D was comprised of 928 completed and occupied homes; 7 completed and unoccupied homes; 41 homes under construction; and 56 vacant, developed lots. See “THE SYSTEM.”

Harvest Green is planned to include a 300-acre Harvest Green Farm that will supply farm-fresh produce through the community’s Farm Share Program. There is also a 12-acre Village Farm planned that will provide farm plots for lease, tours, events and classes for residents and the Farm House Recreation Center, which has a pool, fitness center, splash pad, amphitheater and playground.

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AERIAL PHOTOGRAPH OF THE DISTRICT
(taken May 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken May 2021)



DEVELOPER/PRINCIPAL LANDOWNER

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developer

The principal developer of land within the District is Grand Parkway 1358 LP, a Texas limited partnership ("Grand Parkway 1358" or the "Developer"), which is owned and controlled by the State of Texas General Land Office. Grand Parkway 1358 was created to own and/or develop land in the Harvest Green project, and all of the assets and liabilities of Grand Parkway 1358 is related solely to the Harvest Green project.

Development Management

The development of the Harvest Green project is being managed by an affiliate of The Johnson Development Corp. Larry D. Johnson, President of The Johnson Development Corp., has over 40 years of experience in real estate development. Mr. Johnson's real estate activities have included over 77 projects resulting in the development of nearly 40,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities and multi-family housing. In the Houston, Texas metropolitan area, in addition to Harvest Green, Mr. Johnson's developments include Atascocita, Steeplechase, Sienna Plantation, Riverstone, Silverlake, Fall Creek, Woodforest, Imperial Sugar Land, Edgewater, Tuscan Lakes, Cross Creek Ranch, Harmony, Grand Central Park, Jordan Ranch and Veranda.

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

Development Financing

In October 2014, the Developer obtained a revolving credit development loan for the Harvest Green project from Woodforest Bank. The loan, as amended, may have a maximum principal balance of \$5,000,000, bears interest at prime plus 1%, with a minimum rate of 5.00%, and matures on March 31, 2023. The loan is secured by a first lien deed of trust on approximately 1,052 acres of land in the Harvest Green project, owned by the Developer, and that acreage has diminished over time as parcels have been sold and released under the loan terms. The outstanding balance on the loan was \$281,572 as of May 31, 2021. According to the Developer, it is in compliance with all material conditions of the loan.

THE SYSTEM

Water Supply Facilities

Approximately 493 acres within the District are located within MUD 134E and approximately 547 acres with the District are located within MUD 134D. MUD 134E currently receives all of their water from Water Plant No. 1. The District owns one groundwater plant with one well totaling 2,000 gallons per minute ("gpm"), 635,000 gallons of ground storage tank capacity, booster pumps totaling at 2,000 gpm capacity, 40,000 gallons of pressure tank capacity and appurtenant equipment.

Source of Wastewater Treatment

The District and Fort Bend County MUD No.134D have entered into a 60-month lease with option to purchase for two interim package 0.2 MGD (200,000 gpd) wastewater treatment plants for a total of 0.4 MGD (400,000 gpd) which it is using to serve the District. A 0.2 MGD plant expansion is currently under construction. Upon completion of the expansion, the total capacity of the Regional Wastewater Treatment Plant will be 600,000 gpd. The WWTP is capable of serving 930 ESFCs, which is sufficient to serve the connections in the District.

100-Year Floodplain

The District currently has approximately 144.6672 acres within the 100-year floodplain as determined by the Flood Insurance Rate Map 48157C0140L for Fort Bend County, Texas, approved by the Federal Emergency Management Agency

(FEMA) on April 2, 2014. This area is adjacent to and along Bullhead Slough and includes a portion of the detention ponds. There are no single family residences located within the 100-year floodplain. There are no plans for residential building pads to be located within the 100-year floodplain.

General Fund Operating Statement

The following is a summary of the District's Operating Fund since its first audited financial statements in 2017. The figures for the fiscal years 2017 through 2020 were obtained from the District's annual financial reports, and in the instance of the five months ended June 16, 2021, the District's bookkeeper, reference to which is hereby made. The District is required by statute to have a certified public accountant audit the District's financial statements annually, which annual audit is filed with the TCEQ.

	2021 (a)	2020	2019	2018	2017
REVENUES:					
Property Taxes	\$ 508,862	\$ 277,331	\$ 87,416	\$ 15,205	\$ -
Water Service	262,663	154,408	156,087	40,040	2,074
Sewer Service	193,657	329,087	135,242	21,243	1,152
Fire Protection	55,549	98,597	44,792	-	-
Security	49,111	88,657	40,549	7,225	-
Penalties and Interest	4,916	22,603	10,070	1,210	70
Participant billings	-	-	-	-	383,229
Tap connection and inspection	164,378	833,258	628,567	274,941	42,026
Investment Earnings	312	633	42	77	56
Lease contributions	100,021	235,941	220,047	175,917	-
Regional Water Authority Fees	-	514,034	47,763	-	-
Capacity charges	-	-	-	-	91,298
Miscellaneous	<u>508,862</u>	<u>30,360</u>	<u>19,543</u>	<u>33,253</u>	<u>880</u>
TOTAL REVENUES	\$ 1,339,470	\$ 2,584,909	\$ 1,390,118	\$ 569,111	\$ 520,785
EXPENDITURES:					
Purchased Services	\$ 193,444	\$ 535,522	\$ 265,686	\$ 77,003	\$ -
Professional Fees	45,984	206,371	128,759	132,430	39,175
Contracted Services	208,074	843,936	537,931	186,061	39,972
Repairs and Maintenance	123,240	249,392	125,784	38,360	4,966
Lease	172,500	314,713	339,600	193,600	-
Utilities	-	-	8,479	4,055	-
Administrative	14,048	11,157	45,451	18,273	8,097
Other	1,097	2,641	3,462	1,199	-
Joint facilities	24,697	-	-	-	396,929
Intergovernmental	-	-	-	93,004	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ 783,084	\$ 2,163,732	\$ 1,855,152	\$ 743,985	\$ 489,139
Excess (Deficiency) of Revenues Over Expenditures	\$ 556,386	\$ 421,177	\$ (465,034)	(174,874)	\$ 31,646
Developer Advances	\$ -	\$ -	\$ 493,004	\$ 80,000	\$ -
Internal Transfers	\$ -	\$ 16,591	\$ 107,844	\$ -	\$ -
Balance, Beginning of Year	\$ 579,853	\$ 142,085	\$ 6,271	\$ 101,145	\$ 69,499
Balance, End of Year	\$ 1,136,239	\$ 579,853	\$ 142,085	\$ 6,271	\$ 101,145

(a) Unaudited as of May 31, 2021.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in

accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel.

In addition to serving as Bond Counsel, Coats Rose, P.C. also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of 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 titles of the then present officers of the Board.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, 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 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the 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.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely

to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month 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 the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

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

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

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

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.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The District has not designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions.

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.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Under the covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified events, to the Municipal Securities Rulemaking Board or any successor to its function as a repository (the “MSRB”), through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

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

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A - Financial Statements of the District.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 SEC Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which

reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District entered its first continuing disclosure undertaking in 2019. Since that time the District has not failed to materially comply with obligations under SEC Rule 15c2-12.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the District Engineer, the Developer, the Tax Assessor/Collector, the Auditor, the Fort Bend Central Appraisal District and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included 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.

The District’s audited financial statements for the year ended December 31, 2020, were prepared by McGrath & Co. PLLC, and have been included herein as “APPENDIX A.” McGrath & Co. PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned “THE DEVELOPER/PRINCIPAL LANDOWNER – The Developer” has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

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

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned "TAX DATA" has been provided by the FBCAD and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board of Directors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 134E as of the date specified on the first page hereof.

/s/ Dwayne Chobotar
President, Board of Directors
Fort Bend County Municipal Utility District No. 134E.

ATTEST:

/s/ Leala Hall
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 134E

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 134E**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2020

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McGRATH & CO., PLLC

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

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 134E
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. 134E, as of and for the year ended December 31, 2020, 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. 134E
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. 134E, as of December 31, 2020, 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.

McGuire & Co, P.C.

Houston, Texas
April 21, 2021

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 134E (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 December 31, 2020. This analysis should be read in conjunction with the independent auditor's 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. 134E
Management's Discussion and Analysis
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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 December 31, 2020, was negative \$5,487,086. A comparative summary of the District's overall financial position, as of December 31, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 6,995,507	\$ 3,096,432
Capital assets	27,092,256	23,525,920
Total assets	<u>34,087,763</u>	<u>26,622,352</u>
Current liabilities	11,172,168	7,364,048
Long-term liabilities	26,563,109	21,911,550
Total liabilities	<u>37,735,277</u>	<u>29,275,598</u>
Total deferred inflows of resources	<u>1,839,572</u>	<u>634,757</u>
Net position		
Net investment in capital assets	(5,873,826)	(3,759,497)
Restricted	299,891	409,409
Unrestricted	86,849	62,085
Total net position	<u><u>\$ (5,487,086)</u></u>	<u><u>\$ (3,288,003)</u></u>

***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

The total net position of the District decreased during the current fiscal year by \$2,199,083. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Water and sewer service	\$ 483,495	\$ 291,329
Property taxes, penalties and interest	656,633	97,486
Participant billings	1,517,503	363,186
Tap connection and inspection	833,258	628,567
Other	972,773	376,961
Total revenues	<u>4,463,662</u>	<u>1,757,529</u>
Expenses		
Current service operations	3,864,618	1,879,532
Capital contribution		400,000
Debt interest and fees	555,857	223,191
Developer interest	543,769	389,992
Debt issuance costs	1,189,974	1,104,093
Depreciation	508,527	438,016
Total expenses	<u>6,662,745</u>	<u>4,434,824</u>
Change in net position	(2,199,083)	(2,677,295)
Net position, beginning of year	<u>(3,288,003)</u>	<u>(610,708)</u>
Net position, end of year	<u><u>\$ (5,487,086)</u></u>	<u><u>\$ (3,288,003)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2020, were \$4,443,212, which consists of \$579,853 in the General Fund, \$559,336 in the Debt Service Fund and \$3,304,023 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u><u>\$ 1,455,041</u></u>	<u><u>\$ 660,926</u></u>
Total liabilities	\$ 360,108	\$ 239,548
Total deferred inflows	515,080	279,293
Total fund balance	<u>579,853</u>	<u>142,085</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,455,041</u></u>	<u><u>\$ 660,926</u></u>

Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020

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

	2020	2019
Total revenues	\$ 2,584,909	\$ 1,390,118
Total expenditures	(2,163,732)	(1,855,152)
Revenues over/(under) expenditures	421,177	(465,034)
Other changes in fund balance	16,591	600,848
Net change in fund balance	<u>\$ 437,768</u>	<u>\$ 135,814</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, sewer, and fire services to customers within the District and tap connection fees charged to homebuilders in the District. 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. The 2019 levy was recognized as revenues in the 2020 fiscal year, while the 2018 levy was recognized in the 2019 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the 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.
- Revenues from providing fire protection services are based on the number of connections in the District and increases as the number of connections increases.
- Tap connection fees fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 1,902,327</u>	<u>\$ 884,321</u>
Total liabilities	\$ 18,499	\$ 23,716
Total deferred inflows	1,324,492	355,464
Total fund balance	559,336	505,141
Total liabilities, deferred inflows and fund balance	<u>\$ 1,902,327</u>	<u>\$ 884,321</u>

***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

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

	2020	2019
Total revenues	\$ 358,118	\$ 239
Total expenditures	(621,048)	(54)
Revenues over/(under) expenditures	(262,930)	185
Other changes in fund balance	317,125	504,956
Net change in fund balance	<u>\$ 54,195</u>	<u>\$ 505,141</u>

The District's financial resources in the Debt Service Fund in the current year are from property tax revenues and capitalized interest from the sale of bonds. The District's financial resources in the Debt Service Fund in the prior year was from capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 3,369,764</u>	<u>\$ 1,412,020</u>
Total liabilities	\$ 65,741	\$ 485,887
Total fund balance	3,304,023	926,133
Total liabilities and fund balance	<u>\$ 3,369,764</u>	<u>\$ 1,412,020</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 2,811	\$ 3,986
Total expenditures	(13,061,205)	(11,762,497)
Revenues under expenditures	(13,058,394)	(11,758,511)
Other changes in fund balance	15,436,284	11,120,200
Net change in fund balance	<u>\$ 2,377,890</u>	<u>\$ (638,311)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds and Series 2020 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2019 Unlimited Tax Bonds and Series 2019 Bond Anticipation Note in the prior year.

***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

Joint Wastewater Treatment Plant Fund

The Joint Wastewater Treatment Plant Fund is used to account for the operating and maintenance costs of a joint wastewater treatment plant in accordance with the District's contract with Fort Bend County Municipal District No. 134D (see Note 10). A comparative summary of the Joint Wastewater Treatment Plant Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 95,594</u>	<u>\$ 75,553</u>
Total liabilities	<u>\$ 95,594</u>	<u>\$ 75,553</u>

A comparative summary of activities for the Joint Wastewater Treatment Plant Fund's current and prior fiscal year is as follows:

	2020	2019
Total revenues	<u>\$ 258,162</u>	<u>\$ 287,898</u>
Total expenditures	<u>(258,162)</u>	<u>(287,898)</u>
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

Revenues in the Joint Wastewater Treatment Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services and each participating District's pro-rata share. Consequently, revenues will equal expenditures each year.

Joint Water Plant Fund

The Joint Water Plant Fund is used to account for the operating and maintenance costs of a joint water plant in accordance with the District's contract with Fort Bend County Municipal District No. 134D (see Note 10). A comparative summary of the Joint Water Plant Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 264,105</u>	<u>\$ 69,154</u>
Total liabilities	<u>\$ 264,105</u>	<u>\$ 69,154</u>

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

	2020	2019
Total revenues	<u>\$ 1,259,662</u>	<u>\$ 75,288</u>
Total expenditures	<u>(1,259,662)</u>	<u>(75,288)</u>
Revenues over/(under) expenditures	<u>\$ -</u>	<u>\$ -</u>

***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

Revenues in the Joint Water Plant Fund primarily consist of charges to participants. The amount the District charges is based upon the actual cost of providing services and each participating District's pro-rata share. Consequently, revenues will equal expenditures each year.

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 did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$413,781 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer 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.

Capital assets held by the District at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	\$ 5,478,646	\$ 4,528,282
Construction in progress	64,193	
	<u>5,542,839</u>	<u>4,528,282</u>
Capital assets being depreciated		
Infrastructure	22,770,998	19,710,692
Less accumulated depreciation	<u>(1,221,581)</u>	<u>(713,054)</u>
Depreciable capital assets, net	<u>21,549,417</u>	<u>18,997,638</u>
Capital assets, net	<u><u>\$ 27,092,256</u></u>	<u><u>\$ 23,525,920</u></u>

Capital asset additions during the current year include the following:

- Water, sewer and drainage facilities to serve Harvest Green, Sections 21, 25B and 29
- Water, sewer and drainage facilities to serve Harvest Green, Section 28 and Fresh Garden Way
- Harvest Green detention, Phase III

Construction in progress is for engineering fees related to the construction of water plant no. 2.

Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020

Long-Term Debt and Related Liabilities

As of December 31, 2020, the District owes approximately \$3,303,109 to the developer 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. The District intends to reimburse the developer 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.

At December 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2019	\$ 11,515,000	\$ 11,800,000
2020	12,355,000	
	<u>\$ 23,870,000</u>	<u>\$ 11,800,000</u>

During the current year, the District issued \$12,355,000 in unlimited tax bonds. At December 31, 2020, the District had \$282,845,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$460,500,000 for refunding purposes.

During the year, the District issued a \$9,590,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

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:

	2020 Actual	2021 Budget
Total revenues	\$ 2,584,909	\$ 2,310,026
Total expenditures	(2,163,732)	(2,044,396)
Revenues over expenditures	421,177	265,630
Other changes in fund balance	16,591	
Net change in fund balance	437,768	265,630
Beginning fund balance	142,085	579,853
Ending fund balance	<u>\$ 579,853</u>	<u>\$ 845,483</u>

***Fort Bend County Municipal Utility District No. 134E
Management's Discussion and Analysis
December 31, 2020***

Property Taxes

The District's property tax base increased approximately \$120,927,000 for the 2020 tax year from \$63,029,790 to \$183,957,250. This increase was primarily due to new construction in the District. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.28 per \$100 of assessed value and a debt service tax rate of \$0.72 per \$100 of assessed value, for a total combined tax rate of \$1.00 per \$100. Tax rates for the 2019 tax year were \$0.44 per \$100 for maintenance and operations and \$0.56 per \$100 for debt service for a combined total of \$1.00 per \$100 of assessed value.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 17, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 134E
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Assets					
Cash	\$ 702,814	\$ 789,961	\$ 3,334,195	\$ 40,092	\$ 14,435
Taxes receivable	456,079	1,172,776			
Customer service receivables, net	123,805				
Due from other governments	6,304			48,423	211,110
Internal balances	(20,798)	(60,410)	35,569	7,079	38,560
Other receivables	15,957				
Operating Reserve - Wastewater Treatment Plant and Water Plant	91,324				
Prepaid items	79,556				
Capital assets not being depreciated					
Capital assets, net					
Total Assets	<u>\$ 1,455,041</u>	<u>\$ 1,902,327</u>	<u>\$ 3,369,764</u>	<u>\$ 95,594</u>	<u>\$ 264,105</u>
Liabilities					
Accounts payable	\$ 193,606	\$ -	\$ 65,741	\$ 17,645	\$ 75,605
Other payables	9,977				
Customer deposits	103,975				
Builder deposits	8,800				
Unearned revenue	43,750				
Operating reserves				77,949	188,500
Accrued interest payable		18,499			
Bond anticipation note payable					
Due to developer					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	<u>360,108</u>	<u>18,499</u>	<u>65,741</u>	<u>95,594</u>	<u>264,105</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>515,080</u>	<u>1,324,492</u>			
Fund Balances/Net Position					
Fund Balances					
Nonspendable	170,880				
Restricted		559,336	3,304,023		
Unassigned	408,973				
Total Fund Balances	<u>579,853</u>	<u>559,336</u>	<u>3,304,023</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,455,041</u>	<u>\$ 1,902,327</u>	<u>\$ 3,369,764</u>	<u>\$ 95,594</u>	<u>\$ 264,105</u>
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Total	Adjustments	Statement of Net Position
\$ 4,881,497	\$ -	\$ 4,881,497
1,628,855		1,628,855
123,805		123,805
265,837		265,837
15,957		15,957
91,324	(91,324)	
79,556		79,556
	5,542,839	5,542,839
	21,549,417	21,549,417
<u>\$ 7,086,831</u>	<u>27,000,932</u>	<u>34,087,763</u>
\$ 352,597		352,597
9,977		9,977
103,975		103,975
8,800		8,800
43,750		43,750
266,449	(91,324)	175,125
18,499	259,445	277,944
	9,590,000	9,590,000
	3,303,109	3,303,109
	610,000	610,000
	23,260,000	23,260,000
<u>804,047</u>	<u>36,931,230</u>	<u>37,735,277</u>
<u>1,839,572</u>		<u>1,839,572</u>
170,880	(170,880)	
3,863,359	(3,863,359)	
408,973	(408,973)	
<u>4,443,212</u>	<u>(4,443,212)</u>	
<u>\$ 7,086,831</u>		
	(5,873,826)	(5,873,826)
	299,891	299,891
	86,849	86,849
	<u>\$ (5,487,086)</u>	<u>\$ (5,487,086)</u>

Fort Bend County Municipal Utility District No. 134E

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Joint Wastewater Treatment Plant Fund	Joint Water Plant Fund
Revenues					
Water service	\$ 154,408	\$ -	\$ -	\$ -	\$ -
Sewer service	329,087				
Property taxes	277,331	353,134			
Penalties and interest	22,603	3,565			
Fire protection fees	98,597				
Participant billings				258,162	1,259,341
Lease contributions	235,941				
Regional Water Authority fees	514,034				
Tap connection and inspection	833,258				
Security	88,657				
Miscellaneous	30,360	10			
Investment earnings	633	1,409	2,811		321
Total Revenues	2,584,909	358,118	2,811	258,162	1,259,662
Expenditures/Expenses					
Current service operations					
Purchased services	535,522				
Professional fees	206,371		140,127	4,932	1,500
Contracted services	843,936	15,835		84,808	37,990
Repairs and maintenance	249,392			103,732	25,761
Lease	314,713		24,887		
Regional Water Authority fees					1,116,428
Utilities				61,514	77,759
Administrative	11,157	2,022		3,176	
Other	2,641		191		224
Capital outlay			11,088,304		
Debt service					
Principal		285,000			
Interest and fees		318,191	73,953		
Developer interest			543,769		
Debt issuance costs			1,189,974		
Depreciation					
Total Expenditures/Expenses	2,163,732	621,048	13,061,205	258,162	1,259,662
Revenues Over/(Under) Expenditures	421,177	(262,930)	(13,058,394)		
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		317,125	12,037,875		
Proceeds from bond anticipation note			9,590,000		
Repayment of operating advances			(80,000)		
Repayment of bond anticipation note			(6,095,000)		
Internal transfers	16,591		(16,591)		
Net Change in Fund Balances	437,768	54,195	2,377,890		
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	142,085	505,141	926,133	-	-
End of the year	\$ 579,853	\$ 559,336	\$ 3,304,023	\$ -	\$ -

See notes to basic financial statements.

Total	Adjustments	Statement of Activities
\$ 154,408	\$ -	\$ 154,408
329,087		329,087
630,465		630,465
26,168		26,168
98,597		98,597
1,517,503		1,517,503
235,941		235,941
514,034		514,034
833,258		833,258
88,657		88,657
30,370		30,370
5,174		5,174
4,463,662		4,463,662
535,522		535,522
352,930		352,930
982,569		982,569
378,885		378,885
339,600		339,600
1,116,428		1,116,428
139,273		139,273
16,355		16,355
3,056		3,056
11,088,304	(11,088,304)	
285,000	(285,000)	
392,144	163,713	555,857
543,769		543,769
1,189,974		1,189,974
	508,527	508,527
17,363,809	(10,701,064)	6,662,745
(12,900,147)	12,900,147	
12,355,000	(12,355,000)	
9,590,000	(9,590,000)	
(80,000)	80,000	
(6,095,000)	6,095,000	
2,869,853	(2,869,853)	
	(2,199,083)	(2,199,083)
1,573,359	(4,861,362)	(3,288,003)
\$ 4,443,212	\$ (9,930,298)	\$ (5,487,086)

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Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 134E (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established in accordance with Chapter 1342, Acts of the 77th Legislature, Regular Session, 2001, by that certain order dividing Fort Bend County Municipal Utility District No. 134A into three districts: the District, Fort Bend County Municipal Utility District No. 134A, and Fort Bend County Municipal Utility District No. 134D, dated February 13, 2015, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 20, 2015 and the first bonds were issued on September 26, 2019.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District is responsible for the construction, maintenance, and operation of joint facilities and bills Fort Bend County Municipal District No. 134D for their pro-rata share of construction and operation costs. Pursuant to that Infrastructure Allocation Agreement effective May 20, 2015, Fort Bend County Municipal Management District No. 1 is responsible for providing roads and recreational facilities to serve the land within its boundaries, which included land that is also located within the District’s boundaries. 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 GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. 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 five 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 and prior year, financial resources also 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.
- The Joint Wastewater Treatment Plant Fund is used to account for the operations of wastewater treatment plant jointly owned by the District and Fort Bend County Municipal Utility District No. 134D.
- The Joint Water Plant Fund is used to account for the operations of water plant jointly owned by the District and Fort Bend County Municipal Utility District No. 134D.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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 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 December 31, 2020, an allowance of \$13,000 was provided for possible uncollectible water/sewer accounts. An allowance for 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 using the straight-line method over an estimated useful life of 45 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. Additionally, collections of the 2020 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2020 property tax levy, which was levied to finance the 2021 fiscal year.

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 and operating reserves paid to the Joint Wastewater Treatment Plant Fund for the joint wastewater treatment plant and the Joint Water Plant Fund for the joint water plant.

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 and property taxes levied for debt service 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 developer and the value of capital assets for which the developer 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. 134E
Notes to Basic Financial Statements
December 31, 2020

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 funds	\$ 4,443,212
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 28,313,837	
Less accumulated depreciation	<u>(1,221,581)</u>	
Change due to capital assets		27,092,256

Certain 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:

Bond anticipation note payable	(9,590,000)	
Bonds payable, net	(23,870,000)	
Interest payable on bonds	<u>(259,445)</u>	
Change due to long-term debt		(33,719,445)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(3,303,109)
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Total net position - governmental activities	<u><u>\$ (5,487,086)</u></u>
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Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

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

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

Net change in fund balance - total governmental funds \$ 2,869,853

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	\$ 11,088,304	
Depreciation expense	(508,527)	
	10,579,777	

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.

Proceeds from sale of bonds	(12,355,000)	
Proceeds from bond anticipation note	(9,590,000)	
Principal payments	285,000	
Repayment of bond anticipation note	6,095,000	
Interest expense accrual	(163,713)	
	(15,728,713)	

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 80,000

Change in net position of governmental activities	\$ (2,199,083)
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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.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 3 – Deposits and Investments (continued)

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 Balances and Transactions

Amounts due to/from other funds at December 31, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 60,410	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	52,583	Bond application cost paid by the General Fund
Capital Projects Fund	General Fund	88,152	Construction costs reimbursed by Fort Bend County Municipal Utility District No. 134D not remitted as of year end
Joint Wastewater Treatment Plant Fund	General Fund	7,079	Participant billings owed for services provided
Joint Water Plant Fund	General Fund	38,560	Participant billings owed for services provided

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 4 – Interfund Balances and Transactions (continued)

During the current year, the District transferred \$16,591 from the Capital Projects Fund to the General Fund for the reimbursement of lease expenditures.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2020, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,528,282	\$ 950,364	\$ 5,478,646
Construction in progress		64,193	64,193
	<u>4,528,282</u>	<u>1,014,557</u>	<u>5,542,839</u>
Capital assets being depreciated			
Infrastructure	19,710,692	3,060,306	22,770,998
Less accumulated depreciation	<u>(713,054)</u>	<u>(508,527)</u>	<u>(1,221,581)</u>
Subtotal depreciable capital assets, net	<u>18,997,638</u>	<u>2,551,779</u>	<u>21,549,417</u>
Capital assets, net	<u>\$ 23,525,920</u>	<u>\$ 3,566,336</u>	<u>\$ 27,092,256</u>

Depreciation expense for the current year was \$508,527.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$6,095,000. This BAN was repaid on July 22, 2020 with proceeds from the issuance of the District's Series 2020 Unlimited Tax Bonds.

On November 30, 2020, the District issued a \$9,590,000 BAN with an interest rate of 0.45%, which is due on November 29, 2021.

The effect of these transactions on the District's short-term obligations are as follows:

Beginning balance	\$ 6,095,000
Amounts borrowed	9,590,000
Amounts repaid	<u>(6,095,000)</u>
Ending balance	<u>\$ 9,590,000</u>

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 7 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, and drainage facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developer 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 developer has also advanced funds to the District for operating expenses.

Changes in the estimated amount due to developer during the year is as follows:

Due to developer, beginning of year	\$ 10,396,550
Developer reimbursements	(11,010,408)
Developer funded construction and adjustments	3,996,967
Repayment of operating advances	(80,000)
Due to developer, end of year	<u>\$ 3,303,109</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 23,870,000</u>
Due within one year	<u>\$ 610,000</u>

The District's bonds payable at December 31, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019	\$ 11,515,000	\$ 11,800,000	2.00% - 4.50%	September 1, 2020/2044	March 1, September 1	September 1, 2024
2020	12,355,000	12,355,000	2.00% - 4.50%	September 1, 2021/2045	March 1, September 1	September 1, 2025
	<u>\$ 23,870,000</u>					

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 8 – Long-Term Debt (continued)

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 December 31, 2020, the District had authorized but unissued bonds in the amount of \$282,845,000 for water, sewer and drainage facilities and \$460,500,000 for refunding purposes.

On July 22, 2020, the District issued its \$12,355,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 2.591976%. Proceeds of the bonds were used to (1) reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$6,095,000 BAN issued in the previous fiscal year; and (3) 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	\$ 11,800,000
Bonds issued	12,355,000
Bonds retired	<u>(285,000)</u>
Bonds payable, end of year	<u>\$ 23,870,000</u>

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 8 – Long-Term Debt (continued)

As of December 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 610,000	\$ 698,660	\$ 1,308,660
2022	635,000	618,356	1,253,356
2023	660,000	589,781	1,249,781
2024	680,000	560,081	1,240,081
2025	710,000	529,481	1,239,481
2026	735,000	497,531	1,232,531
2027	765,000	473,831	1,238,831
2028	795,000	450,094	1,245,094
2029	825,000	430,294	1,255,294
2030	850,000	413,794	1,263,794
2031	880,000	396,794	1,276,794
2032	920,000	379,194	1,299,194
2033	950,000	359,656	1,309,656
2034	985,000	339,481	1,324,481
2035	1,025,000	317,937	1,342,937
2036	1,060,000	294,882	1,354,882
2037	1,100,000	270,368	1,370,368
2038	1,145,000	244,243	1,389,243
2039	1,185,000	216,331	1,401,331
2040	1,230,000	187,444	1,417,444
2041	1,275,000	157,456	1,432,456
2042	1,325,000	124,775	1,449,775
2043	1,375,000	90,813	1,465,813
2044	1,425,000	55,563	1,480,563
2045	725,000	18,125	743,125
	<u>\$ 23,870,000</u>	<u>\$ 8,714,965</u>	<u>\$ 32,584,965</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.

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.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.00 per \$100 of assessed value, of which \$0.44 was allocated to maintenance and operations and \$0.56 was allocated to debt service. The resulting tax levy was \$630,298 on the adjusted taxable value of \$63,029,790.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2020 levy collections in the amount of \$210,717 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2020 tax levy of \$1,839,572 is reported as deferred inflows. These amounts will be recognized as revenue in 2021.

Note 10 – Agreements with Fort Bend County Municipal Utility District No. 134D

Agreement for Joint Financing, Construction and Maintenance of Water Line, Sewer Line, and Storm Sewer Facilities

On April 20, 2016, the District and Fort Bend County Municipal Utility District No. 134D ("MUD 134D") entered into a Joint Facilities Agreement, whereby each district agrees to share the cost of financing and operating joint water lines, sewer lines, and storm sewer facilities to serve both districts. The District holds beneficial title to these joint facilities with each district owning an equitable interest based on the pro-rata share of the facilities. The District is responsible for the maintenance and operation of the facilities and will bill MUD 134D for maintenance and operating costs for its prorate share.

Each district will finance, own and operate their respective internal water, sanitary sewer and storm sewer systems.

Waste Disposal Agreement

On April 20, 2016, the District and MUD 134D entered into an agreement for the lease, construction, ownership, operation, maintenance and eventual expansion of wastewater treatment facilities to serve both districts. The cost of designing and constructing each phase of these facilities is allocated between the District and MUD 134D based on each district's pro-rata share of equivalent single-family connections. The District holds beneficial title to the joint water plant facilities, with both the District and 134D having an undivided, equitable interest. MUD 134D owns 100% of capacity in phase I and 43.18% of capacity in phase II, while the District owns 56.82% of the capacity in phase II. MUD 134D's pro-rata share of the capacity in the entire plant is 71.59% and the District's pro-rata share is 28.41%. Each District is solely responsible for the internal collection systems necessary to deliver waste to the wastewater treatment plant.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 10 – Agreements with Fort Bend County Municipal Utility District No. 134D (continued)

Waste Disposal Agreement (continued)

The District is responsible for the operation and maintenance of the wastewater treatment plant and created a Joint Wastewater Treatment Plant Fund to account for associated costs and for billing participants for those costs. Operating and maintenance costs are allocated based on each district's pro-rata share of capacity in the entire plant. In order to provide liquidity, an operating reserve was established based on three months of budgeted operating expenses. MUD 134D paid \$55,804 toward the operating reserve and the District paid \$22,145. During the current year, MUD 134D was billed \$184,818 and the District was billed \$73,344 for their respective share of operation and maintenance costs.

As further discussed in Note 14, the District has executed lease agreements for a temporary wastewater treatment plant. Lease payments are allocated between the District and MUD 134D on a pro-rata basis and are accounted for in the General Fund, not the Joint Wastewater Treatment Plant Fund. During the current year, the District recorded lease contributions of \$235,941 for MUD 134D's pro rata share of monthly lease payments.

Water Supply Contract

On April 20, 2016, the District and MUD 134D entered into an agreement for the construction, ownership, operation, maintenance and expansion of a water plant to serve both districts. During the previous fiscal year, the District and MUD 134D completed the construction of a joint water plant to provide a permanent source of water supply to the residents and customers of both districts. Each district is solely responsible for the internal water distribution systems necessary to deliver water from the water plants to customers within their respective district.

The District shall hold beneficial title to the joint water plant, with both the District and 134D having an undivided, equitable interest. During the previous fiscal year, the District and MUD 134D approved the Addendum to Water Supply Contract which changed the ownership capacity of each participant. As of December 31, 2020, MUD 134D's pro-rata share of the capacity of the plant is 63.3% and the District's share is 36.7%.

The District is responsible for the operation and maintenance of the water plant and created a Joint Water Plant Fund to account for associated costs and for billing participants for those costs. Operating and maintenance costs are allocated based on each district's pro-rata share of capacity in the entire plant. In order to provide liquidity, an operating reserve was established based on three months of budgeted operating expenses. MUD 134D paid \$119,321 toward the operating reserve and the District paid \$69,179. During the current year, MUD 134D was billed \$797,163 and the District was billed \$462,178 for their respective share of operation and maintenance costs.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 10 – Agreements with Fort Bend County Municipal Utility District No. 134D (continued)

Cost Sharing Agreement for Law Enforcement Services

On April 1, 2018, the District entered into a Cost Sharing Agreement for Law Enforcement Services with MUD 134D for the purpose of providing security services by Fort Bend County to both districts. The agreement was amended and restated on October 1, 2020 and will expire on September 30, 2021. The agreement may be terminated by either party with 30 days written notice. For the current year, the District paid \$84,410 for these services.

Note 11 – Drainage Swale Regrading Agreement

On October 31, 2018, the District and Pecan Grove Municipal Utility District (“PG MUD”) entered into an agreement for the construction of a drainage swale along a common boundary to collect storm water runoff and convey it to storm sewers and drainage facilities, some of which are to be constructed in the District. The agreement is for a 40 year term. The District agreed to fund the project entirely and advanced \$493,004 to PG MUD. Upon completion of construction of the project, the District was refunded \$2,258 for advances in excess of actual construction costs.

PG MUD shall be solely responsible for the maintenance of the drainage swale. Mowing costs are to be shared equally between PG MUD and the District.

Note 12 – Emergency Water Supply Agreement

On June 25, 2019, the District, MUD 134D and PG MUD entered into an agreement in which each District agreed to temporarily supply water to the other Districts in the event of an emergency at a rate of \$1.00 per 1,000 gallons of water delivered plus any North Fort Bend Water Authority (the “Authority”) fees imposed on the supplying District. However, if the supplying District has converted in whole or in part to surface water, the rate per thousand gallons shall be equal to the then current surface water fee charged by the Authority.

Note 13 – Fire Protection Agreement with Pecan Grove Volunteer Fire Department

On June 20, 2018, the District entered into an agreement with Pecan Grove Volunteer Fire Department (“PGVFD”). As part of the agreement, PGVFD will provide fire and rescue services to certain areas within the District in return for a payment of monthly fire protection fees. The District shall pay PGVFD \$11.00 per month for each ESFC. The agreement is effective fifteen years from the effective date of October 25, 2018 and automatically renews for successive one-year terms. Either party may terminate the agreement by giving 120 days written notice. During the current year, the District paid \$94,005 to PGVFD for fire protection services.

Fort Bend County Municipal Utility District No. 134E
Notes to Basic Financial Statements
December 31, 2020

Note 14 – Lease Agreements

On August 11, 2016, the District entered into a 60-month lease agreement for a 200,000 gallon per day wastewater treatment plant (phase I of the plant). This lease agreement provides that the lease expires December 1, 2021, with the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$13,700. The total cost of the lease for the fiscal year ended December 31, 2020 was \$164,400. MUD 134D is solely responsible for these lease payments.

On October 4, 2017, the District entered into a 60-month lease agreement for the purpose of expanding the District's capacity in the leased facilities from 200,000 gallons per day to 400,000 gallons per day (phase II of the plant). This lease agreement provides that the lease expires October 31, 2023, with the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$14,600. The total cost of the lease for the fiscal year ended December 31, 2020 was \$175,200. These lease payments are allocated between the districts based on their respective pro-rata share of capacity in phase II of the plant, 43.18% for MUD 134D and 56.82% for the District.

Future minimum lease payments as of December 31, 2020 for term leases are as follows:

Year	Amount
2021	\$ 298,500
2022	175,200
2023	146,000
	<u>\$ 619,700</u>

Note 15 – 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 16 – Economic Dependency

The District is dependent upon its developer for operating advances. The developer continues to own a substantial portion of the taxable property within the District. The developer's 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 17 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

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.

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Required Supplementary Information

Fort Bend County Municipal Utility District No. 134E
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 90,000	\$ 154,408	\$ 64,408
Sewer service	121,250	329,087	207,837
Property taxes	279,740	277,331	(2,409)
Penalties and interest	7,000	22,603	15,603
Fire protection fees	40,650	98,597	57,947
Lease contributions	240,051	235,941	(4,110)
Regional Water Authority fees	110,000	514,034	404,034
Tap connection and inspection	350,360	833,258	482,898
Security	37,000	88,657	51,657
Miscellaneous	15,000	30,360	15,360
Investment earnings	400	633	233
Total Revenues	<u>1,291,451</u>	<u>2,584,909</u>	<u>1,293,458</u>
Expenditures			
Current service operations			
Purchased services	365,298	535,522	(170,224)
Professional fees	143,500	206,371	(62,871)
Contracted services	334,650	843,936	(509,286)
Repairs and maintenance	80,000	249,392	(169,392)
Lease	306,416	314,713	(8,297)
Utilities	5,000		5,000
Administrative	29,900	11,157	18,743
Other	2,700	2,641	59
Total Expenditures	<u>1,267,464</u>	<u>2,163,732</u>	<u>(896,268)</u>
Revenues Over Expenditures	23,987	421,177	397,190
Other Financing Sources			
Internal transfers		16,591	16,591
Net Change in Fund Balance	23,987	437,768	413,781
Fund Balance			
Beginning of the year	142,085	142,085	
End of the year	<u>\$ 166,072</u>	<u>\$ 579,853</u>	<u>\$ 413,781</u>

Fort Bend County Municipal Utility District No. 134E
Required Supplementary Information - Budgetary Comparison Schedule - Joint
Wastewater Treatment Plant Fund
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 311,795	\$ 258,162	\$ (53,633)
Expenditures			
Current service operations			
Professional fees	5,400	4,932	468
Contracted services	73,510	84,808	(11,298)
Repairs and maintenance	100,000	103,732	(3,732)
Utilities	124,500	61,514	62,986
Administrative	7,385	3,176	4,209
Other	1,000		1,000
Total Expenditures	311,795	258,162	53,633
Revenues Over/(Under) Expenditures			
Fund Balance			
Beginning of the year			
End of the year	\$ -	\$ -	\$ -

Fort Bend County Municipal Utility District No. 134E

Required Supplementary Information - Budgetary Comparison Schedule - Joint Water Plant Fund

For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Participant billings	\$ 754,000	\$ 1,259,341	\$ 505,341
Investment earnings		321	321
Total Revenues	<u>754,000</u>	<u>1,259,662</u>	<u>505,662</u>
Expenditures			
Current service operations			
Professional fees	1,500	1,500	-
Contracted services	25,400	37,990	(12,590)
Repairs and maintenance	25,000	25,761	(761)
Regional Water Authority fees	690,565	1,116,428	(425,863)
Utilities	5,000	77,759	(72,759)
Administrative	5,535		5,535
Other	1,000	224	776
Total Expenditures	<u>754,000</u>	<u>1,259,662</u>	<u>(505,662)</u>
Revenues Over/(Under) Expenditures			
Fund Balance			
Beginning of the year			
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 134E
Notes to Required Supplementary Information
December 31, 2020

Budgets and Budgetary Accounting

Annual unappropriated budgets are adopted for the General Fund, Joint Wastewater Treatment Plant Fund and Joint Water Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 134E

TSI-1. Services and Rates

December 31, 2020

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 interconnect)
☐ 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:	\$ 10.29	10,000	N	\$ 0.60	10,001 to	15,000
				\$ 0.80	15,001 to	20,000
				\$ 1.10	20,001 to	25,000
				\$ 1.40	25,001 to	30,000
				\$ 2.50	30,001 to	unlimited
Wastewater:	\$ 25.00	-0-	Y			to

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water \$ 10.29 Wastewater \$ 25.00

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"	539	536	x 1.0	536
1"	412	411	x 2.5	1,028
1.5"	1	1	x 5.0	5
2"	21	21	x 8.0	168
3"	1	1	x 15.0	15
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	974	970		1,752
Total Wastewater	938	934	x 1.0	934

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 134E

TSI-1. Services and Rates

December 31, 2020

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 into system:	<u>121,434,100</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>121,434,100</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</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: _____

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 and City of Richmond

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

If Yes, by whom? _____

* Purchased from Pecan Grove MUD and Fort Bend County MUD 134D

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E
TSI-2 General Fund Expenditures
For the Year Ended December 31, 2020

Purchased services	
Purchased water	\$ 462,178
Purchased sewer	73,344
	<u>535,522</u>
Professional fees	
Legal	132,197
Audit	11,000
Engineering	63,174
	<u>206,371</u>
Contracted services	
Bookkeeping	18,361
Operator	68,337
Garbage collection	111,819
Tap connection and inspection	467,004
Security services	84,410
Fire protection	94,005
	<u>843,936</u>
Repairs and maintenance	<u>249,392</u>
Lease	<u>314,713</u>
Administrative	
Directors fees	8,550
Printing and office supplies	345
Insurance	1,557
Other	705
	<u>11,157</u>
Other	<u>2,641</u>
Total expenditures	<u><u>\$ 2,163,732</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E

TSI-4. Taxes Levied and Receivable

December 31, 2020

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 169,648	\$ 215,915	\$ 385,563	
Adjustments to Prior Year Tax Levy	(1,962)	(2,497)	(4,459)	
Adjusted Receivable	167,686	213,418	381,104	
2020 Original Tax Levy	510,328	1,312,272	1,822,600	
Adjustments	4,752	12,220	16,972	
Adjusted Tax Levy	515,080	1,324,492	1,839,572	
Total to be accounted for	682,766	1,537,910	2,220,676	
Tax collections:				
Current year	59,001	151,716	210,717	
Prior years	167,686	213,418	381,104	
Total Collections	226,687	365,134	591,821	
Taxes Receivable, End of Year	\$ 456,079	\$ 1,172,776	\$ 1,628,855	
Taxes Receivable, By Years				
2020	\$ 456,079	\$ 1,172,776	\$ 1,628,855	
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 61,142,739	\$ 39,170,869	\$ 16,067,219	\$ 6,455,313
Improvements	131,366,177	30,174,167	2,412,512	
Personal Property	1,188,960	710,120		
Exemptions	(9,740,626)	(7,025,366)	(9,956,812)	(4,934,776)
Total Property Valuations	\$ 183,957,250	\$ 63,029,790	\$ 8,522,919	\$ 1,520,537
Tax Rates per \$100 Valuation:				
Maintenance tax rates *	\$ 0.28	\$ 0.44	\$ 1.00	\$ 1.00
Debt service tax rates	0.72	0.56		
Total Tax Rates per \$100 Valuation	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Adjusted Tax Levy:	\$ 1,839,572	\$ 630,298	\$ 85,229	\$ 15,205
Percentage of Taxes Collected to Taxes Levied **	11.45%	100.00%	100.00%	100.00%

* 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. 134E
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
December 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 295,000	\$ 328,681	\$ 623,681
2022	305,000	315,406	620,406
2023	320,000	301,681	621,681
2024	330,000	287,281	617,281
2025	345,000	272,431	617,431
2026	360,000	256,906	616,906
2027	375,000	240,706	615,706
2028	390,000	224,769	614,769
2029	405,000	213,069	618,069
2030	420,000	204,969	624,969
2031	435,000	196,569	631,569
2032	455,000	187,869	642,869
2033	470,000	177,631	647,631
2034	490,000	167,056	657,056
2035	510,000	156,031	666,031
2036	530,000	143,919	673,919
2037	550,000	131,331	681,331
2038	575,000	117,581	692,581
2039	595,000	103,206	698,206
2040	620,000	88,331	708,331
2041	645,000	72,831	717,831
2042	670,000	55,900	725,900
2043	700,000	38,313	738,313
2044	725,000	19,938	744,938
	<u>\$ 11,515,000</u>	<u>\$ 4,302,405</u>	<u>\$ 15,817,405</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
December 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 315,000	\$ 369,979	\$ 684,979
2022	330,000	302,950	632,950
2023	340,000	288,100	628,100
2024	350,000	272,800	622,800
2025	365,000	257,050	622,050
2026	375,000	240,625	615,625
2027	390,000	233,125	623,125
2028	405,000	225,325	630,325
2029	420,000	217,225	637,225
2030	430,000	208,825	638,825
2031	445,000	200,225	645,225
2032	465,000	191,325	656,325
2033	480,000	182,025	662,025
2034	495,000	172,425	667,425
2035	515,000	161,906	676,906
2036	530,000	150,963	680,963
2037	550,000	139,037	689,037
2038	570,000	126,662	696,662
2039	590,000	113,125	703,125
2040	610,000	99,113	709,113
2041	630,000	84,625	714,625
2042	655,000	68,875	723,875
2043	675,000	52,500	727,500
2044	700,000	35,625	735,625
2045	725,000	18,125	743,125
	<u>\$ 12,355,000</u>	<u>\$ 4,412,560</u>	<u>\$ 16,767,560</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
December 31, 2020

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 610,000	\$ 698,660	\$ 1,308,660
2022	635,000	618,356	1,253,356
2023	660,000	589,781	1,249,781
2024	680,000	560,081	1,240,081
2025	710,000	529,481	1,239,481
2026	735,000	497,531	1,232,531
2027	765,000	473,831	1,238,831
2028	795,000	450,094	1,245,094
2029	825,000	430,294	1,255,294
2030	850,000	413,794	1,263,794
2031	880,000	396,794	1,276,794
2032	920,000	379,194	1,299,194
2033	950,000	359,656	1,309,656
2034	985,000	339,481	1,324,481
2035	1,025,000	317,937	1,342,937
2036	1,060,000	294,882	1,354,882
2037	1,100,000	270,368	1,370,368
2038	1,145,000	244,243	1,389,243
2039	1,185,000	216,331	1,401,331
2040	1,230,000	187,444	1,417,444
2041	1,275,000	157,456	1,432,456
2042	1,325,000	124,775	1,449,775
2043	1,375,000	90,813	1,465,813
2044	1,425,000	55,563	1,480,563
2045	725,000	18,125	743,125
	<u>\$ 23,870,000</u>	<u>\$ 8,714,965</u>	<u>\$ 32,584,965</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E
TSI-6. Change in Long-Term Bonded Debt
December 31, 2020

	Bond Issue		Totals
	Series 2019	Series 2020	
Interest rate	2.00% - 4.50%	2.00% - 4.50%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/20 - 9/1/44	9/1/21 - 9/1/45	
Beginning bonds outstanding	\$ 11,800,000	\$ -	\$ 11,800,000
Bonds issued		12,355,000	12,355,000
Bonds retired	(285,000)		(285,000)
Ending bonds outstanding	<u>\$ 11,515,000</u>	<u>\$ 12,355,000</u>	<u>\$ 23,870,000</u>
Interest paid during fiscal year	<u>\$ 341,506</u>	<u>\$ -</u>	<u>\$ 341,506</u>
Paying agent's name and city	<u>Zions Bancorporation, N.A., Houston, Texas</u>		
All Series			
Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 307,000,000	\$ 460,500,000	
Amount Issued	(24,155,000)		
Remaining To Be Issued	<u>\$ 282,845,000</u>	<u>\$ 460,500,000</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 investment balances as of December 31, 2020: \$ 789,961

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,303,399

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund****For the Last Five Fiscal Years**

	Amounts				
	2020	2019	2018	2017	2016**
Revenues					
Water service	\$ 154,408	\$ 156,087	\$ 40,040	\$ 2,074	\$ -
Sewer service	329,087	135,242	21,243	1,152	
Property taxes	277,331	87,416	15,205		
Penalties and interest	22,603	10,070	1,210	70	
Fire protection fees	98,597	44,792			
Participant billings				383,229	54,800
Lease contributions	235,941	220,047	175,917		
Regional Water Authority fees	514,034	47,763			
Tap connection and inspection	833,258	628,567	274,941	42,026	
Security	88,657	40,549	7,225		
Capacity charges				91,298	
Miscellaneous	30,360	19,543	33,253	880	23
Investment earnings	633	42	77	56	36
Total Revenues	<u>2,584,909</u>	<u>1,390,118</u>	<u>569,111</u>	<u>520,785</u>	<u>54,859</u>
Expenditures					
Current service operations					
Purchased services	535,522	265,686	77,003		
Professional fees	206,371	128,759	132,430	39,175	21,923
Contracted services	843,936	537,931	186,061	39,972	3,325
Repairs and maintenance	249,392	125,784	38,360	4,966	
Lease	314,713	339,600	193,600		
Utilities		8,479	4,055		
Administrative	11,157	45,451	18,273	8,097	6,951
Other	2,641	3,462	1,199		620
Joint facilities				396,929	13,700
Intergovernmental					
Capital contribution		400,000	93,004		
Total Expenditures	<u>2,163,732</u>	<u>1,855,152</u>	<u>743,985</u>	<u>489,139</u>	<u>46,519</u>
Revenues Over (Under) Expenditures	<u>\$ 421,177</u>	<u>\$ (465,034)</u>	<u>\$ (174,874)</u>	<u>\$ 31,646</u>	<u>\$ 8,340</u>
Total Active Retail Water Connections	<u>970</u>	<u>531</u>	<u>191</u>	<u>11</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>934</u>	<u>519</u>	<u>185</u>	<u>10</u>	<u>N/A</u>

** Unaudited

* Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016**
6%	12%	7%	*	
13%	10%	4%	*	
11%	6%	3%		
1%	1%	*	*	
4%	3%			
			74%	100%
9%	16%	31%		
20%	3%			
32%	45%	48%	8%	
3%	3%	1%		
			18%	
1%	1%	6%	*	*
*	*	*	*	*
100%	100%	100%	100%	100%
21%	19%	14%		
8%	9%	23%	8%	40%
33%	39%	33%	8%	6%
10%	9%	7%	1%	
12%	24%	34%		
	1%	1%		
*	3%	3%	2%	13%
*	*	*		1%
			76%	25%
	29%	16%		
84%	133%	131%	95%	85%
16%	(33%)	(31%)	5%	15%

Fort Bend County Municipal Utility District No. 134E

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Two Fiscal Years

	Amounts		Percent of Fund Total	
	2020	2019	Revenues	
			2020	2019
Revenues				
Property taxes	\$ 353,134	\$ -	99%	
Penalties and interest	3,565		1%	
Miscellaneous	10		*	
Investment earnings	1,409	239	*	100%
Total Revenues	358,118	239	100%	100%
Expenditures				
Tax collection services	17,857	54	5%	23%
Debt service				
Principal	285,000		80%	
Interest and fees	318,191		89%	
Total Expenditures	621,048	54	174%	23%
Revenues Over (Under) Expenditures	\$ (262,930)	\$ 185	(74%)	77%

*Percentage is negligible

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 134E
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended December 31, 2020

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, TX 77046
District Business Telephone Number: 713-651-0111
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 20, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Dwayne Chobotar	05/20 - 05/24	\$ 1,950	\$ 17	President
Taylor Schmidt	05/18 - 05/22	1,200		Vice President
Leala Hall	05/18 - 05/22	1,650	18	Secretary
Jason Kirby	05/20 - 05/24	1,800		Assistant Secretary
Rene M. Casanova	05/16 - 05/20	600	14	Former Director
Chad Norvell	05/18 - 01/21	1,350		Former Director
Consultants				
		Amounts Paid		
Coats Rose, P.C.	02/15	\$ 529,436		Attorney
SiEnvironmental	02/15	938,855		Operator
L&S District Services, LLC	06/18	26,428		Bookkeeper
Tax Tech	02/15	13,274		Tax Collector
Fort Bend County Appraisal District	Legislation	2,770		Property Valuation
Coats Rose, P.C.	02/18	137		Delinquent Tax Attorney
Jones & Carter	02/15	219,622		Engineer
McGrath & Co., PLLC	2017	24,250		Auditor
Robert W. Baird & Co.	02/15	345,996		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:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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