

OFFICIAL STATEMENT DATED DECEMBER 3, 2019

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE-Book-Entry-Only

Insured Rating (BAM): S&P “AA” (stable outlook)
Underlying Rating: Moody’s “A2”
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

\$1,750,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX BONDS
SERIES 2020

The bonds described above (the “Bonds”) are obligations solely of Fort Bend County Municipal Utility District No. 116 (the “District”) and are not obligations of the State of Texas, Fort Bend County, the City of Richmond, the City of Sugar Land or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable all property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Dated Date: January 1, 2020

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. Interest on the Bonds accrues from January 1, 2020 and will be payable on the basis of a 360 day year of twelve 30 day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below.

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



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

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)	Maturity (September 1)	Principal Amount	CUSIP Number(b)	Interest Rate	Initial Reoffering Yield(c)
2020	\$ 100,000	346811 PK2	2.000 %	1.450 %	2025	\$ 100,000	346811 PQ9	2.000 %	1.700 %
2021	100,000	346811 PL0	2.000	1.500	2026 (a)	100,000	346811 PR7	2.000	1.850
2022	100,000	346811 PM8	2.000	1.530	2027 (a)	125,000	346811 PS5	2.000	2.000
2023	100,000	346811 PN6	2.000	1.550	2028 (a)	125,000	346811 PT3	2.125	2.125
2024	100,000	346811 PP1	2.000	1.600					
\$250,000 Term Bonds due September 1, 2030 (a), 346811 PV8 (b), 2.250% Interest Rate, 2.250% Yield (c)									
\$250,000 Term Bonds due September 1, 2032 (a), 346811 PX4 (b), 2.250% Interest Rate, 2.350% Yield (c)									
\$300,000 Term Bonds due September 1, 2034 (a), 346811 PZ9 (b), 2.250% Interest Rate, 2.400% Yield (c)									

- (a) Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about January 10, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Raymond James & Associates, Inc. (the "Underwriter") paying the interest rates shown on the cover page hereof, at a price of 98.4294% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.369926%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General...

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

Impact on District...

According to Si Environmental, LLC (the “Operator”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District did not receive any reports of taxable improvements within the District that experienced structural flooding or other material damage.

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

THE DISTRICT

Description...

The District is a political subdivision of the State of Texas, created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), on March 18, 1998, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently consists of approximately 744 acres of land. See “THE DISTRICT.”

Location...

The District is located approximately 27 miles southwest of the central downtown business district of the City of Houston, approximately 7 miles west of the City of Sugar Land City Hall and approximately 5 miles southeast of the City of Richmond. A small portion of the District along Interstate 69 (2.822 acres mainly in the Interstate 69 right-of-way) is located in the corporate limits of the City of Sugar Land, and the remaining land is located in the corporate limits or extraterritorial jurisdiction of the City of Richmond. The District is within the boundaries of the Lamar Consolidated Independent School District. The District is bounded on the south by Farm-to-Market 762, on the west by a large estate home development and on the east by Crabb River Road. Interstate 69 bisects the northeast corner of the District. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Status of Development...

Residential development in the District currently includes 1,411 single-family residential lots on approximately 499 acres in the residential subdivisions of Canyon Gate at the Brazos, Sections One through Eleven; Brazos Gardens; Brazos Village, Sections One and Two; Canyon Lakes at the Brazos, Sections One and Two; Lakes of Williams Ranch, Section One; MP Estates; and The Estates at Lakes of Williams Ranch. According to an operations report prepared by Si Environmental, LLC, the District's operator, as of September 30, 2019, there were 1,336 completed homes (1,324 occupied), 2 homes under construction or owned by a builder and 73 vacant developed lots available for home construction. Homes in Canyon Gate at the Brazos and Canyon Lakes at the Brazos have an average market value of approximately \$175,000, homes within Lakes of Williams Ranch range in market value from approximately \$400,000 to \$1,500,000 and homes within The Estates at Lakes of Williams Ranch range in market value from approximately \$1,200,000 to over \$3,000,000.

Approximately 111 acres have been developed for commercial/retail development. Development includes a Rudy's Barbeque, a Freddy's Frozen Custard & Steakburgers, a Taco Bell, Alicia's Mexican Grille, a daycare facility, a Houston Garden Center, an Exxon gasoline/service station with convenience store, a Toyota dealership, CarMax, Los Puentes Office Park, a Buc-ee's convenience store with a gas station and car wash, a Home2 Suites by Hilton, a La Quinta, a medical office building, a hospital, a Goodwill store and distribution center, a retail center that includes McDonald's, Little Caesar's, Lenny's Sub Shop, Kensington School, State Farm, a nail salon, a dry cleaner, a hair salon and a two dentist offices, a self-storage facility and a retail center that includes a Sherwin-Williams, an AT&T retail store, a restaurant and a nail salon. The hospital is a tax-exempt entity; therefore, the value of the hospital improvements (except for a portion of such taxable value for Oakbend Medical Center shown in "TAX DATA—Principal Taxpayers") is not subject to taxation by the District. Additionally, approximately 4 acres of land in the District served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities is under construction for the development of an auto repair facility.

Multi-family residential development in the District consists of the Venue at Richmond, a 230-unit apartment community constructed on approximately 25 acres of land and Clayton Oaks, a 98-unit senior assisted living apartment community constructed on approximately 5 acres of land.

Approximately 8 acres of land within the District are served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities for future development and approximately 92 acres are not developable (utility sites, drainage easements, detention, open spaces, and rights-of-way). See "THE DISTRICT—Status of Development."

*The Developer and Other
Major Property Owners...*

Approximately 38 acres of land owned by The Estates at Lakes of Williams Ranch, Ltd., a Texas limited partnership (the "Developer") have been developed as The Estates at Lakes of Williams Ranch where homebuilding is ongoing. The Developer has completed its development activity in the District and will be reimbursed from Bond proceeds for funds advanced for water, wastewater and storm drainage facilities.

Canyon Gate at the Brazos, Canyon Lakes at the Brazos, Brazos Gardens and Brazos Village and Lakes of Williams Ranch were developed by developers no longer active in the District. All of the aforementioned subdivisions have been provided with water, wastewater and/or storm drainage and paving facilities and are substantially built out, except Lakes of Williams Ranch where homebuilding is ongoing.

Approximately 8 acres of land served by underground trunkline water, wastewater and/or storm drainage facilities are owned by various entities for future commercial development.

See "THE DEVELOPER AND OTHER MAJOR PROPERTY OWNERS."

<i>Homebuilders...</i>	Custom homebuilders marketing and/or building homes within Lakes of Williams Ranch and the Estates at Lakes of Williams Ranch include Cashiola Custom Homes, Heavenly Homes, Sprouse House Custom Homes, Dan Roth Custom Homes, and Partners in Building. See “THE DISTRICT—Homebuilders.”
<i>Payment Record...</i>	The District has previously issued \$43,940,000 principal amount of unlimited tax bonds in ten series and \$38,690,000 principal amount of unlimited tax refunding bonds in seven series, \$22,740,000 of which is currently outstanding (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

THE BONDS

<i>Description...</i>	The \$1,750,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature as serial bonds on September 1 in each of the years 2020 through 2028, both inclusive, and as term bonds on September 1 in each of the years 2030, 2032 and 2034 (the “Term Bonds”). The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from January 1, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2026, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.
<i>Authority for Issuance...</i>	The Bonds are the eleventh series of bonds issued out of an aggregate of \$47,630,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and storm drainage system. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Richmond, the City of Sugar Land, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

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

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Assurance Company ("BAM" or the "Insurer"). Moody's has also assigned an underlying rating of "A2" to the Bonds. An explanation of their ratings may be obtained from S&P or Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

*Qualified Tax-Exempt
Obligations...*

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel...

Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor...

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF THE OFFICIAL STATEMENT."

Disclosure Counsel...

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

Paying Agent/Registrar...

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

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Taxable Assessed Valuation.....	\$493,019,791 (a)
Estimated Taxable Assessed Valuation as of September 15, 2019	\$496,267,502 (b)
Gross Direct Debt Outstanding	\$24,490,000 (c)
Estimated Overlapping Debt	<u>37,259,694 (d)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$61,749,694
Ratios of Gross Direct Debt to:	
2019 Taxable Assessed Valuation.....	4.97%
Estimated Taxable Assessed Valuation as of September 15, 2019	4.93%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Taxable Assessed Valuation.....	12.52%
Estimated Taxable Assessed Valuation as of September 15, 2019	12.44%
Debt Service Funds Available as of November 5, 2019.....	\$1,898,527
General Operating Fund Balance as of November 5, 2019	\$7,558,266
Capital Projects Fund Balance as of November 5, 2019	\$ 631,307 (e)
2019 Debt Service Tax Rate.....	\$0.61
2019 Maintenance Tax Rate.....	<u>0.40</u>
2019 Total Tax Rate.....	\$1.01
Average Annual Debt Service Requirement (2020-2034).....	\$1,965,157 (f)
Maximum Annual Debt Service Requirement (2020).....	\$3,156,091 (f)
Tax Rates Required to Pay Average Annual Debt Service (2020-2034) at a 95% Collection Rate	
Based upon 2019 Taxable Assessed Valuation.....	\$0.42 (g)
Based upon Estimated Taxable Assessed Valuation as of September 15, 2019.....	\$0.42 (g)
Tax Rates Required to Pay Maximum Annual Debt Service (2020) at a 95% Collection Rate	
Based upon 2019 Taxable Assessed Valuation.....	\$0.68 (g)
Based upon Estimated Taxable Assessed Valuation as of September 15, 2019.....	\$0.67 (g)
Status of Development as of September 30, 2019 (h):	
Total Developed Lots.....	1,411
Homes Completed - Occupied	1,324
Homes Completed - Unoccupied.....	12
Homes Under Construction or owned by a Builder	2
Lots Available for Homebuilding.....	73
Multi-Family Apartment Units.....	328
Estimated Population	5,290 (i)

- (a) The Fort Bend Central Appraisal District (the "Appraisal District") has certified \$492,137,783 as of January 1, 2019. According to the Appraisal District, there are properties remaining uncertified totaling \$882,008. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on September 15, 2019. Increases in value that occur between January 1, 2019 and September 15, 2019 will be assessed for purposes of taxation on January 1, 2020. No tax will be levied on such amount until it is certified in the summer of 2020. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Includes \$620,000 in surplus funds approved for use by the TCEQ for the purposes for which the Bonds are being issued. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (h) See "THE DISTRICT—Land Use" and "—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence and 2.0 per occupied apartment unit.

OFFICIAL STATEMENT

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116 *(A political subdivision of the State of Texas located within Fort Bend County)*

\$1,750,000 UNLIMITED TAX BONDS SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 116 (the “District”) of its \$1,750,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

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

Method of Payment of Principal and Interest

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

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of the entire water, sanitary sewer and drainage system will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2030, 2032 and 2034 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

\$250,000 Term Bonds Due September 1, 2030		\$250,000 Term Bonds Due September 1, 2032		\$300,000 Term Bonds Due September 1, 2034	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2029	\$ 125,000	2031	\$ 125,000	2033	\$ 150,000
2030 (maturity)	125,000	2032 (maturity)	125,000	2034 (maturity)	150,000

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 Bond 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 Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2025, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$47,630,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and storm drainage system. The Bonds are being issued pursuant to such authorization.

The TCEQ has approved the sale of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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.

Registration and Transfer

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

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$47,630,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and storm drainage system (the "Facilities") and \$26,000,000 principal amount of unlimited tax bonds for refunding outstanding bonds of the District and could authorize additional amounts. After the issuance of the Bonds, \$1,940,000 principal amount of unlimited tax bonds for the Facilities and \$24,485,000 principal amount of unlimited tax refunding bonds will remain authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has engaged KGA/DeForest Design to prepare concepts of a park plan for review by the Board but has not considered calling a park bond election at this time. The District entered into a series of letter agreements with the Canyon Gate at the Brazos Owners Association, Inc. and Lakes of Williams Ranch Homeowners Association, Inc. to jointly develop and/or improve recreational facilities in the District using operating revenues. The District also contributes surplus operating revenues to the Canyon Gate at the Brazos Owners Association, Inc. and Lakes of Williams Ranch Owners Association for street lighting and/or security services.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City of Richmond ordinance specifying the purposes for which the District may issue bonds; (b) authorization of a detailed fire protection plan providing for the issuance of bonds for such purpose by the qualified voters in the District; (c) approval of the fire protection plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election to authorize bonds related to firefighting activities at this time. However, the District has a duly approved and authorized fire plan, which was approved by the TCEQ, and then by the District's voters on February 2, 2002, and which does not authorize the issuance of fire-fighting bonds. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. See "THE DISTRICT—Fire Service" and "THE SYSTEM—Fire Service."

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuances by the District's voters or the amount ultimately issued by the District. The District expects to issue additional bonds in order to reimburse certain developers for the cost of water, wastewater and storm drainage facilities constructed within the District. Issuance of additional bonds could dilute the investment security of the Bonds.

Annexation

Approximately three (3) acres along the Interstate 69 right-of-way within the District are in the City of Sugar Land's corporate limits and approximately 42 acres north of the Interstate 69 right-of-way are in the corporate limits of the City of Richmond. Under existing Texas law, since portions of the District lie within the corporate limits of the City of Sugar Land and the City of Richmond, and the remaining land lies within the extraterritorial jurisdiction of the City of Richmond, the District must conform to the City of Richmond and City of Sugar Land ordinances consenting to the creation of the District. However, the City of Sugar Land has determined that it no longer requires the District to seek its approval to issue bonds.

Although the Local Government Code generally provides that a city may not annex territory within the boundaries of a water district unless it annexes the entire district, because the District lies in two cities' jurisdictions, neither city may annex the entire District and dissolve the District. If the land within the District which is within the extraterritorial jurisdiction of the City of Richmond is annexed into the City of Richmond, the District may only be dissolved by agreement of the District and both cities. In this event, the agreement between the District and the cities would provide for a pro rata assumption of any outstanding District indebtedness by the cities. Annexation of territory by the cities is a policy-making matter within the discretion of the governing bodies of the cities, and therefore, the District makes no representation that the City of Richmond will annex that portion of the District within its extraterritorial jurisdiction or that the cities and the District would dissolve the District, nor does the District make any representation concerning the ability of the cities to pay debt service on the District's bonds if annexation and dissolution were to occur.

Strategic Partnership Agreement

The City of Richmond and the District entered into a strategic partnership agreement ("SPA"), pursuant to §43.0751, Texas Local Government Code on October 22, 2007. Under the terms of the SPA, (i) an approximately 42-acre tract developed for commercial purposes has been annexed into the City of Richmond for full purposes by petition of the landowner to the City Commission of the City of Richmond, (ii) the remaining commercial areas of the District within the City of Richmond's extraterritorial jurisdiction have been annexed into the City of Richmond for limited purposes, and (iii) the balance of the District (comprising principally the residential portion of the District), except for the 2.822 acres along Interstate 69 in the City of Sugar Land corporate limits, remains in the City of Richmond's extraterritorial jurisdiction.

Pursuant to the SPA, the City of Richmond imposes its one and a half percent (1½%) sales and use taxes within the areas of limited-purpose (but not its property taxes) and full-purpose annexation, and remits one-half of such sales and use taxes to the District to be used for any lawful District purpose. The area of full-purpose annexation will be subject to City of Richmond taxation, including the City of Richmond's ad valorem taxes. The City of Richmond and the District have the option to amend the SPA at any time. Any funds received by the District under the SPA are not pledged to the payment of the Bonds.

Consolidation

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 liabilities (such as the Bonds) with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings' 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 purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Blackline Engineering, LLC, the District's engineer (the "Engineer"), and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (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.

I. CONSTRUCTION COSTS

• Estates at Lakes of Williams Ranch Section One	
Water, wastewater, drainage and paving improvements	\$ 1,003,951
Clearing and Grubbing	113,011
• Storm Water Pollution Prevention Plan	48,273
• Material testing and geotechnical report	39,612
• District Wide Lift Station Modifications	520,000
• Engineering	278,708
• Contingencies	52,000
• Less: Surplus Funds Applied	(620,000)
Total Construction Costs	\$ 1,435,555

II. NON-CONSTRUCTION COSTS

• Bond Discount (a)	\$ 27,486
• Developer Interest	89,221
Total Non-Construction Costs	\$ 116,707

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees	\$ 124,599
• Bond Application Report Cost	42,000
• State Regulatory Fees	6,125
• Contingency (a)	25,014
Total Issuance Costs and Fees	\$ 197,738
TOTAL BOND ISSUE	\$ 1,750,000

(a) The TCEQ approved a maximum Bond Discount of 3.00%. Contingency represents the difference in the estimated and actual amounts of Bond Discount.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission (predecessor to the TCEQ) dated March 18, 1998. The creation of the District was confirmed at an election held within the District on August 8, 1998. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to use operating funds to establish, operate, and maintain parks and recreational facilities. The District may issue bonds for recreational facilities, but only after adoption of a park plan and submitting a proposition to approve park bonds to District voters. Additionally, the District may, subject to the granting of road powers by the TCEQ or the Texas Legislature and certain limitations, develop and finance roads. The District has not sought road powers or voter authorization to issue park bonds.

Fire Service

The District also is authorized by statute to engage in fire-fighting activities. The District, along with Fort Bend County Municipal Utility District (“MUD”) No. 108, Fort Bend County MUD No. 109, Fort Bend County MUD No. 106, and Fort Bend County MUD No. 117 (which have since been annexed and dissolved by the City of Sugar Land) prepared a detailed fire plan and agreements for fire protection services with the City of Sugar Land and the District also entered into a separate agreement with the City of Richmond, which were approved by the TCEQ. Voters of the District approved the fire plan and the agreements at an election held on February 2, 2002. Such plan did not call for the issuance of bonds, but for a contribution from operating funds of \$50,000 to the City of Sugar Land and \$100,000 to the City of Richmond, which were paid and used to pay a portion of the construction costs of the two fire stations serving the area. A monthly mandatory payment is due from all water customers of the District and is paid to the city in whose jurisdiction the property is located. A fire station operated by the City of Sugar Land is located in Greatwood across the street from the District and a fire station operated by the City of Richmond is located at the Fort Bend County Road and Bridge Facility adjacent to the District. See “THE SYSTEM—Fire Service.”

Description and Location

The District currently consists of approximately 744 acres of land and is located approximately 27 miles southwest of the central downtown business district of the City of Houston and approximately 7 miles west of the City of Sugar Land City Hall and approximately 5 miles southeast of the City of Richmond. A small portion of the District along Interstate 69 (2.822 acres mainly in the Interstate 69 right-of-way) is located in the corporate limits of the City of Sugar Land, and the remaining land is located in the corporate limits or extraterritorial jurisdiction of the City of Richmond. The District is within the boundaries of Lamar Consolidated Independent School District. The District is bounded on the south by Farm-to-Market 762, on the west by a large estate home development and on the east by Crabb River Road. Interstate 69 bisects the northeast corner of the District. See “AERIAL LOCATION MAP.”

Land Use

The following table has been provided by the Engineer and represents the land use within the District as currently developed.

	Approximate	
	<u>Acres</u>	<u>Lots</u>
<u>Single-Family Residential:</u>		
Canyon Gate at the Brazos:		
Section One.....	41	111
Section Two.....	34	57
Section Three.....	41	151
Section Four.....	25	76
Section Five.....	21	78
Section Six.....	36	116
Section Seven.....	22	67
Section Eight.....	10	25
Section Nine.....	18	66
Section Ten.....	17	66
Section Eleven.....	11	36
Brazos Gardens.....	44	92
Brazos Village:		
Section One.....	12	58
Section Two.....	22	117
Canyon Lakes at the Brazos:		
Section One.....	43	127
Section Two	21	53
Lakes of Williams Ranch:		
Section One.....	36	60
MP Estates.....	7	6
The Estates at Lakes of Williams Ranch.....	<u>38</u>	<u>49</u>
Subtotal.....	499	1,411
Commercial.....	111	--
Future Development (a).....	12	--
Multi-Family (328 units).....	30	--
Undevelopable (b).....	<u>92</u>	<u>--</u>
Totals.....	744	1,411

- (a) Includes approximately 8 acres of land within the District served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities for future development and approximately 4 acres of land within the District served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities under construction for the development of an auto repair facility.
- (b) Includes utility sites, drainage easements, detention, open spaces, and rights-of-way.

Status of Development

Single-Family Residential: Residential development in the District currently includes 1,411 single-family residential lots on approximately 499 acres in the residential subdivisions of Canyon Gate at the Brazos, Sections One through Eleven; Brazos Gardens; Brazos Village, Sections One and Two; Canyon Lakes at the Brazos, Sections One and Two; Lakes of Williams Ranch, Section One; MP Estates; and The Estates at Lakes of Williams Ranch. According to an operations report prepared by the District's operator, as of September 30, 2019, there were 1,336 completed homes (1,324 occupied), 2 homes under construction or owned by a builder and 73 vacant developed lots available for home construction. Homes in Canyon Gate at the Brazos and Canyon Lakes at the Brazos have an average market value of approximately \$175,000. Homes within Lakes of Williams Ranch range in market value from approximately \$400,000 to \$1,500,000 and homes within the Estates at Lakes of Williams Ranch will range in market value from \$1,200,000 to over \$3,000,000.

Commercial: Approximately 111 acres have been developed for commercial/retail development. Development includes a Rudy's Barbeque, a Freddy's Frozen Custard & Steakhburgers, a Taco Bell, Alicia's Mexican Grille, a daycare facility, a Houston Garden Center, an Exxon gasoline/service station with convenience store, a Toyota dealership, CarMax, Los Puentes Office Park, a Buc-ee's convenience store with a gas station and car wash, a Home2 Suites by Hilton, a La Quinta, a medical office building, a hospital, a Goodwill store and distribution center, a retail center that includes McDonald's, Little Caesar's, Lenny's Sub Shop, Kensington School, State Farm, a nail salon, a dry cleaner, a hair salon and a two dentist offices, a self-storage facility and a retail center that includes a Sherwin-Williams, an AT&T retail store, a restaurant and a nail salon. The hospital is a tax-exempt entity; therefore, the value of the hospital improvements (except for a portion of such taxable value for Oakbend Medical Center shown in "TAX DATA—Principal Taxpayers") is not subject to taxation by the District. Additionally, approximately 4 acres of land in the District served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities is under construction for the development of an auto repair facility.

Multi-Family Residential: Multi-family residential development in the District consists of the Venue at Richmond, a 230-unit apartment community constructed on approximately 25 acres of land and Clayton Oaks, a 98-unit senior assisted living apartment community constructed on approximately 5 acres of land.

Other: Approximately 8 developed acres of land within the District are served by underground trunkline water distribution, wastewater collection and/or storm drainage facilities for future development and approximately 92 acres are not developable (utility sites, drainage easements, detention, open spaces, and rights-of-way).

Homebuilders

Custom homebuilders marketing and/or building homes within Lakes of Williams Ranch and the Estates at Lakes of Williams Ranch include Cashiola Custom Homes, Heavenly Homes, Sprouse House Custom Homes, Dan Roth Custom Homes, and Partners in Building.

The Developer

The developer of the land within the District is The Estates at Lakes of Williams Ranch, Ltd., a Texas limited partnership (the "Developer"). Approximately 38 acres of land owned by the Developer have been developed as 49 single-family residential lots within The Estates at Lakes of Williams Ranch where homebuilding is ongoing. Of the 49 single-family residential lots, 34 lots have been sold to individuals who intend to construct a custom home, 8 lots have been sold to custom homebuilders and 4 lots are under contract to a homebuilder or individual. The Developer does not own any developable acreage and has completed its development activity in the District but has not yet been reimbursed for funds advanced for water, wastewater and drainage facilities.

Canyon Gate at the Brazos, Canyon Lakes at the Brazos, Brazos Gardens and Brazos Village and Lakes of Williams Ranch were developed by developers no longer active in the District. All of the aforementioned subdivisions have been provided with water, wastewater and/or storm drainage and paving facilities and are substantially built out, except Lakes of Williams Ranch where homebuilding is ongoing.

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time.

Other Major Property Owners

Approximately 8 acres of land served by underground trunkline water, sewer and/or storm drainage facilities are owned by various entities for future commercial development.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. Two of the Board members reside within the District and each of the remaining three Board members own land within the District subject to a note and deed of trust in favor of a prior developer in the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Chad Millis	President	May 2022
Charles K. Friday	Vice President	May 2020
Angela Wood	Secretary	May 2020
Dallas Duffy	Assistant Vice President	May 2022
Kafi Dalcour	Assistant Secretary	May 2022

District Consultants

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

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's audited financial statements for the fiscal year ending December 31, 2018 have been prepared by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's December 31, 2018 audited financial statements.

Engineer: The District's consulting engineer is Blackline Engineering, LLC.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Wheeler & Associates, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The operator of the District's water and wastewater system is Si Environmental, LLC.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County, the Cities of Sugar Land and Richmond (where appropriate), and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

Water supply for the District is provided by phases I and II of a water supply plant collectively consisting of two 800 gallon per minute ("gpm") water wells, two 250,000 gallon ground storage tanks, two 15,000 gallon hydropneumatic tanks and 4,000 gpm of booster pump capacity. Phase I and II water supply facilities adequately serve 2,500 equivalent single-family connections. The District has two emergency water supply interconnects with the City of Sugar Land and the City of Richmond.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. The District and the City of Richmond entered into a Groundwater Reduction Plan ("GRP") Participation Agreement dated June 15, 2009, effective October 1, 2009.

The Subsidence District's regulations require the District, individually or collectively with other water users, to: (i) prepare a groundwater reduction plan ("GRP") and obtain certification of the GRP from the Subsidence District by the date of renewal of its permit in 2008; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning in the year 2016; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning in the year 2025. The District is included in the City of Richmond's GRP, which has been certified by the Subsidence District.

If the City fails to comply with the above Subsidence District regulations, the City will be subject to a \$6.50 per 1,000 gallons disincentive fee imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand, which fee may be passed on to the District.

The City constructed a surface water treatment plant (SWTP) adjacent to the NRG canal along with other associated projects to implement the phased conversion from groundwater to surface water. The SWTP was constructed for an initial production capacity of 2.0 million gallons per day (MGD) (Phase I), with capability for future expansion to 4.0 MGD (Phase II). The SWTP began delivering water to Richmond customers in March 2018. Phase I is estimated to cost approximately \$18,000,000. The Groundwater Reduction Plan Participation Agreement between the District and the City provides an option for the District to pay its pro rata share of any bonds sold to finance the plant through payment of pumpage fees, currently at \$2.42 per 1,000 gallons pumped. At this time, the District has no plans to finance its share of surface water improvements through its own direct debt but pays pumpage fees to the City.

The District cannot predict the amount or level of fees and charges that may be due the City of Richmond in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City of Richmond: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water; or (ii) will comply with the Subsidence District's surface water conversion requirements.

Wastewater Treatment

The District participates in the 950,000 gallons per day ("gpd") City of Richmond regional wastewater treatment plant. The District owns all of such capacity, which according to the Engineer, is sufficient to serve 3,016 equivalent single-family connections and full development of the District under current regulatory criteria and land use assumptions.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,411 lots in the District, 328 multi-family residential apartment units, and approximately 138 acres for commercial and multi-family development. See "THE DISTRICT—Land Use."

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the land within the District is currently within the designated 100-year flood plain and areas within the levee are currently protected from the 100-year flood event.

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

The Federal Emergency Management Agency (“FEMA”) commissioned a study to reevaluate the “base flood elevation” (commonly referred to as the 100-year flood plain elevation) in Fort Bend County in 2006. The study has been concluded and a draft of the new flood plain maps became the “effective” flood rate maps of Fort Bend County on April 2, 2014. The level of the 100-year flood plain on these new maps is higher than previous standards. Pursuant to the FEMA study, the District commissioned its engineer to perform a detailed Floodplain Mitigation Analysis to determine any impacts to the District. The analysis recommended mitigating any impacts by adding an outfall pipe at the Main Regional Basin into Rabbs Bayou, and it also required that new development in the District provide its own onsite detention basin. The aforementioned outfall pipe has been constructed.

In order to protect areas within the District from the rising water of the Brazos River during certain events, a new segment of a levee has been constructed along Ransom Road. The District partnered with other neighboring districts to construct a perimeter levee, pursuant to a Cost Sharing Agreement with Fort Bend County Levee Improvement District No. 6, Fort Bend County Levee Improvement District No. 10, Fort Bend County Levee Improvement District No. 11 (“LID 11”), and Fort Bend County Municipal Utility District No. 121 dated November 6, 2007. Outstanding bond proceeds were expended to finance these levee improvements. Construction of the perimeter levee is now complete and FEMA has accepted the recertification of the levee. As a result of this project, developed and developable land within the District remains outside of the 100-year flood plain and the District is able to continue participating in the National Flood Insurance Program through Fort Bend County. The District has a maintenance cost sharing agreement with LID 11 whereby it pays 22% of the levee and drainage system protecting the District which is owned and operated by LID 11. The District also pays 22% of the costs of LID 11’s stormwater pump station No. 1, which benefits the District.

Fire Service

The District is authorized by statute to engage in fire-fighting activities. The District, along with Fort Bend County MUD No. 108, Fort Bend County MUD No. 109, Fort Bend County MUD No. 106, and Fort Bend County MUD No. 117 (which have since been annexed and dissolved by the City of Sugar Land) prepared a detailed fire plan and agreements for fire protection services with the City of Sugar Land and the District also entered into a separate agreement with the City of Richmond, which were approved by the TCEQ. Voters of the District approved the fire plan and the agreements with such cities at an election held on February 2, 2002. Such plan did not call for the issuance of bonds, but for a contribution from operating funds of \$50,000 to the City of Sugar Land and \$100,000 to the City of Richmond, which were paid and used to pay a portion of the construction costs of the two fire stations serving the area. A monthly mandatory payment is due from all water customers of the District and is paid to whichever city in whose jurisdiction the property is located. A fire station operated by the City of Sugar Land is located in Greatwood across the street from the District and a fire station operated by the City of Richmond is located at the Fort Bend County Road and Bridge Facility adjacent to the District. See “THE DISTRICT—Fire Service.”

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Taxable Assessed Valuation.....	\$493,019,791	(a)
Estimated Taxable Assessed Valuation as of September 15, 2019	\$496,267,502	(b)
Gross Direct Debt Outstanding	\$24,490,000	(c)
Estimated Overlapping Debt	37,259,694	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$61,749,694	
Ratios of Gross Direct Debt to:		
2019 Taxable Assessed Valuation.....	4.97%	
Estimated Taxable Assessed Valuation as of September 15, 2019	4.93%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Taxable Assessed Valuation.....	12.52%	
Estimated Taxable Assessed Valuation as of September 15, 2019	12.44%	
Debt Service Funds Available as of November 5, 2019.....	\$1,898,527	
General Operating Fund Balance as of November 5, 2019	\$7,558,266	
Capital Projects Fund Balance as of November 5, 2019	\$ 631,307	(e)

- (a) The Fort Bend Central Appraisal District (the "Appraisal District") has certified \$492,137,783 as of January 1, 2019. According to the Appraisal District, there are properties remaining uncertified totaling \$882,008. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on September 15, 2019. Increases in value that occur between January 1, 2019 and September 15, 2019 will be assessed for purposes of taxation on January 1, 2020. No tax will be levied on such amount until it is certified in the summer of 2020. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "Outstanding Bonds" herein.
- (d) See "Estimated Overlapping Debt" herein.
- (e) Includes \$620,000 in surplus finds approved for use by the TCEQ for the purposes for which the Bonds are being issued. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

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

Outstanding Bonds

The District has previously issued ten series of unlimited tax bonds in the aggregate principal amount of \$43,940,000 and seven series of unlimited tax refunding bonds in the aggregate principal amount of \$38,690,000, \$22,740,000 of which remains outstanding (the “Outstanding Bonds”) as of the date hereof. The following table lists the original principal amount of the Outstanding Bonds and the Outstanding Bonds.

Series	Original Principal Amount	Principal Outstanding
2000	\$ 4,300,000	\$ -
2001	6,800,000	-
2003	5,425,000	-
2004	4,570,000	-
2005 (a)	3,985,000	-
2005A	5,325,000	-
2007	6,000,000	-
2009	4,000,000	160,000
2010	2,545,000	85,000
2011 (a)	5,080,000	890,000
2012 (a)	7,715,000	515,000
2013 (a)	3,475,000	485,000
2013A (a)	3,360,000	1,495,000
2016	2,175,000	1,875,000
2016A (a)	6,960,000	6,650,000
2017	2,800,000	2,470,000
2019 (a)	8,115,000	8,115,000
Total	\$ 82,630,000	\$ 22,740,000

(a) Unlimited tax refunding bonds.

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 3,031,320.00	\$ 100,000	\$ 24,770.83	\$ 124,770.83	\$ 3,156,090.83
2021	3,004,125.00	100,000	35,156.25	135,156.25	3,139,281.25
2022	2,979,381.25	100,000	33,156.25	133,156.25	3,112,537.50
2023	2,961,081.25	100,000	31,156.25	131,156.25	3,092,237.50
2024	2,940,600.00	100,000	29,156.25	129,156.25	3,069,756.25
2025	2,041,493.75	100,000	27,156.25	127,156.25	2,168,650.00
2026	2,018,231.25	100,000	25,156.25	125,156.25	2,143,387.50
2027	1,988,612.50	125,000	23,156.25	148,156.25	2,136,768.75
2028	1,247,325.00	125,000	20,656.25	145,656.25	1,392,981.25
2029	1,221,425.00	125,000	18,000.00	143,000.00	1,364,425.00
2030	1,179,375.00	125,000	15,187.50	140,187.50	1,319,562.50
2031	957,425.00	125,000	12,375.00	137,375.00	1,094,800.00
2032	680,975.00	125,000	9,562.50	134,562.50	815,537.50
2033	659,325.00	150,000	6,750.00	156,750.00	816,075.00
2034	501,887.50	150,000	3,375.00	153,375.00	655,262.50
Total	\$ 27,412,582.50	\$ 1,750,000	\$ 314,770.83	\$ 2,064,770.83	\$ 29,477,353.33

Average Annual Debt Service Requirements (2020-2034)\$1,965,157
Maximum Annual Debt Service Requirement (2020).....\$3,156,091

Water and Wastewater Operations

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

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended December 31, 2015, through 2018, and for the period ended October 31, 2019, from the District's Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended December 31			
	1/1/2019 thru 10/31/2019 (a) (unaudited)	2018	2017	2016	2015
Revenues:					
Property Taxes	\$ 1,880,447	\$ 1,858,964	\$ 1,681,968	\$ 1,229,726	\$ 905,599
Water Service	361,977	485,611	471,142	484,945	455,470
Wastewater Service	355,158	469,773	460,428	449,068	442,879
Surface Water Fees/GRP Fees	350,299	395,351	386,707	375,842	317,326
Penalty and Interest	60,362	47,466	27,404	34,006	47,352
Tap Connection & Inspection Fees	34,024	163,390	127,208	117,166	171,176
Investment Revenues	131,133	121,582	40,761	14,053	3,782
Fire Contract Revenues	242,985	321,649	315,809	299,376	284,746
City of Richmond-SPA Revenue	191,686	224,952	183,531	215,741	243,833
Miscellaneous Revenues	7,854	18,790	200,062	39,080	15,338
Total Revenue	\$ 3,615,925	\$ 4,107,528	\$ 3,895,020	\$ 3,259,003	\$ 2,887,501
Expenditures:					
Professional Fees	\$ 264,912	\$ 206,047	\$ 194,021	\$ 252,809	\$ 258,740
Contracted Services	476,968	306,258	303,272	316,166	314,664
Purchased Wastewater Service	170,358	309,003	461,708	488,899	521,106
Utilities	45,753	69,120	85,921	69,988	69,443
Repairs and Maintenance	666,791	778,257	525,663	538,173	302,479
Fire Contract Costs	178,932	268,649	268,654	267,840	266,738
Surface Water Assessment/GRP Assessment	392,211	503,749	462,607	363,669	307,003
Other	207,582	251,397	246,249	250,537	300,822
Capital Outlay	458,530	274,323	36,887	110,284	15,660
Total Expenditures	\$ 2,862,037	\$ 2,966,803	\$ 2,584,982	\$ 2,658,365	\$ 2,356,655
NET REVENUES	\$ 753,888	\$ 1,140,725	\$ 1,310,038	\$ 600,638	\$ 530,846
Other Financing Sources (Transfer In)	\$ -	\$ -	\$ -	\$ 64,548	\$ -
General Operating Fund					
Balance (Beginning of Year)					
General Operating Fund	\$ 6,869,368	\$ 5,728,643	\$ 4,418,605	\$ 3,753,419	\$ 3,222,573
Balance (End of Year)	\$ 7,623,256	\$ 6,869,368	\$ 5,728,643	\$ 4,418,605	\$ 3,753,419

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

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction (a)</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Fort Bend County	\$ 595,399,527	09/30/19	0.69%	\$ 4,108,257
Lamar Consolidated Independent School District.....	1,039,230,000	09/30/19	3.19%	<u>33,151,437</u>
Total Estimated Overlapping Debt.....				\$37,259,694
The District's Total Direct Debt (a)				<u>24,490,000</u>
Total Direct and Estimated Overlapping Debt				\$61,749,694

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Taxable Assessed Valuation of \$493,019,791.....	12.52%
Estimated Taxable Assessed Valuation as of September 15, 2019 of \$496,267,502	12.44%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2019 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Fort Bend County (including Road and Flood).....	\$ 0.46000
Lamar Consolidated Independent School District.....	<u>1.32000</u>
Total Overlapping Tax Rate (a).....	\$ 1.78000
The District.....	<u>1.01000 (b)</u>
Total Tax Rate.....	\$ 2.79000

(a) Approximately 3 acres of land within the District's boundaries are within the corporate limits of the City of Sugar Land, which levied a 2019 tax rate in the amount of \$0.33200 per \$100 of taxable assessed valuation and approximately 42 acres of undeveloped commercial property are within the corporate limits of the City of Richmond, which levied a 2019 tax rate in the amount of \$0.69990 per \$100 of taxable assessed valuation.

(b) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, and “TAXING PROCEDURES.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted August 8, 1998, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

Historical Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$ 0.61	\$ 0.62	\$ 0.64	\$ 0.68	\$ 0.76
Maintenance & Operations	<u>0.40</u>	<u>0.41</u>	<u>0.41</u>	<u>0.39</u>	<u>0.32</u>
Total	\$ 1.01	\$ 1.03	\$ 1.05	\$ 1.07	\$ 1.08

Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2019, the District has exempted \$10,000 of the taxable value of resident homesteads for persons who are disabled or 65 years of age or older.

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Net Certified Taxable Assessed	Tax Rate	Total Tax Levy (b)	Total Collections As of 10/31/2019 (c)	
	Valuation (a)			Amount	Percent
2014	\$ 322,070,782	\$ 1.14	\$ 3,671,600	\$ 3,666,789	99.87%
2015	384,299,826	1.08	4,150,431	4,143,634	99.84%
2016	434,170,585	1.07	4,643,390	4,638,636	99.90%
2017	456,876,067	1.05	4,796,935	4,791,896	99.89%
2018	466,941,276	1.03	4,809,307	4,793,635	99.67%
2019	492,137,783	1.01	4,970,592	(d)	(d)

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) Unaudited.
- (d) In process of collection. Taxes for 2019 are due by January 31, 2020.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2016 through 2019 Taxable Assessed Valuations and the Estimated Taxable Assessed Valuation as of September 15, 2019. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. A breakdown of the uncertified portion (\$882,008) of the 2019 Taxable Assessed Valuation is subject to significant revision and is not included herein.

Tax Year	Type of Property			Gross Assessed Valuation	Deferrals and Exemptions	Uncertified Value/Under ARB Review	Taxable Assessed Valuation
	Land	Improvements	Personal Property				
Estimate of Value as of 9/15/19	\$ 115,961,020	\$ 399,707,744	\$ 34,124,550	\$ 549,793,314	\$(54,407,821)	\$ 882,009	\$ 496,267,502
2019	113,263,310	399,157,744	34,124,550	546,545,604	(54,407,821)	882,008	493,019,791
2018	107,400,070	382,070,132	32,519,690	521,989,892	(55,048,616)	-	466,941,276
2017	107,518,880	374,861,821	29,213,620	511,594,321	(54,718,254)	-	456,876,067
2016	104,597,530	361,171,450	27,947,820	493,716,800	(59,546,215)	-	434,170,585

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$492,137,783) 2019 Taxable Assessed Valuation of \$493,019,791, which represents ownership as of January 1, 2019. Principal taxpayer lists related to the uncertified portion (\$882,008) of 2019 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 15, 2019, of \$496,267,502 are not available.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Ransom Road Partners LLC	\$ 26,318,820	5.35%
Carmax Auto Superstores Inc.	20,305,660	4.13%
Group 1 Realty Inc.	9,641,580	1.96%
McCall TII Inc.	9,412,470	1.91%
Bridgewood Clayton Oaks LLC	9,347,010	1.90%
Oakbend Medical Center	7,068,890	1.44%
Riverpointe Hospitality LLC	6,216,170	1.26%
Grand Parkway Lodging Group LLC	5,636,980	1.15%
Richmond Self Storage Ltd.	5,189,510	1.05%
Quattro River Gate LLC	3,891,050	0.79%
Total	\$ 103,028,140	20.94%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Taxable Assessed Valuation of \$493,019,791 (\$492,137,783 of certified value and \$882,008 of uncertified value) or the Estimated Taxable Assessed Valuation as of September 15, 2019, of \$496,267,502. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and INVESTMENT CONSIDERATION—Possible Impact on District Tax Rate."

Average Annual Debt Service Requirement (2020-2034)	\$1,965,157
\$0.42 Tax Rate on 2019 Taxable Assessed Valuation	\$1,967,149
\$0.42 Tax Rate on Estimated Taxable Assessed Valuation as of September 15, 2019	\$1,980,107
Maximum Annual Debt Service Requirement (2020).....	\$3,156,091
\$0.68 Tax Rate on 2019 Taxable Assessed Valuation	\$3,184,908
\$0.67 Tax Rate on Estimated Taxable Assessed Valuation as of September 15, 2019	\$3,158,743

No representation or suggestion is made that the uncertified portion of the 2019 Taxable Assessed Valuation will not be adjusted downward or that the estimated value of land and improvements provided by the Appraisal District as of September 15, 2019 of \$496,267,502 for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation 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 residential 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 for the full amount 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. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

Tax Abatement

The City of Sugar Land may designate all or part of the 2,822 acres in its city limits as a reinvestment zone. The City of Richmond may designate all or part of the 42 acres in its city limits, and Fort Bend County may designate all or part of the area not in either cities' city limits within the District as a reinvestment zone. Thereafter, Fort Bend County, the City of Richmond or the City of Sugar Land (as appropriate) and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

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

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

SB 2 classifies 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 "Special Taxing Units." 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

INVESTMENT CONSIDERATIONS

General

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

Recent Extreme Weather Events; Hurricane Harvey

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

According to the Operator, the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The District did not receive any reports of taxable improvements within the District that experienced structural flooding or other material damage.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial, retail and multi-family properties and from single-family residences and developed lots which are owned by the Developer, custom homebuilders or individuals. The market value of such properties is related to general economic conditions affecting the demand for properties. Demand for commercial and multi-family projects and lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage funding have a direct impact on the construction activity. In addition, since the District is located approximately 27 miles southwest of the central downtown business district of the City of Houston, the success of home-building within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Possible 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 District property owners to pay their taxes. The 2019 Taxable Assessed Valuation of the District is \$493,019,791 (\$492,137,783 of certified value and \$882,008 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$3,156,091 (2020) and the average annual debt service requirement will be \$1,965,157 (2020-2034). Assuming no increase or decrease from the 2019 Taxable Assessed Value, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.68 and \$0.42 per \$100 of taxable assessed valuation, at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "TAX DATA—Tax Adequacy for Debt Service."

The Estimated Taxable Assessed Valuation as of September 15, 2019 is \$496,267,502, which results in tax calculations of \$0.67 and \$0.42 per \$100 of taxable assessed valuation, respectively. No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of September 15, 2019, will be the amount finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$47,630,000 principal amount of unlimited tax bonds for purchasing and constructing the Facilities and \$26,000,000 principal amount of unlimited tax refunding bonds have been authorized by the District's voters. After the issuance of the Bonds, \$1,940,000 principal amount of the unlimited tax bonds for purchasing and acquiring Facilities will remain authorized but unissued and \$24,485,000 principal amount of unlimited tax refunding bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

After the reimbursements are made with Bond proceeds, the District will have fulfilled its reimbursement obligations to the Developer. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, additional bonds may be issued for purposes which do not result in any corresponding increases in taxable value in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulation

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

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

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

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

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

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

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

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

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

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

The 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. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final on December 23, 2019.

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

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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 tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

LEGAL MATTERS

Legal Proceedings

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

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

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. Moody's Investors Service ("Moody's") has also assigned an underlying rating of "A2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's, respectively.

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Wheeler & Associates, Inc., and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

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

Auditor: The District's audited financial statement for the fiscal year ending December 31, 2018, was prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See APPENDIX A.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Water and Wastewater Operations" has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of Utility Districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided 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 "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statements of the District and certain Supplemental Schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2019. Any financial statements provided by the District 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 the audit 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.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person 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, 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, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meanings ascribed to them under

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12, except possibly as follows:

The District filed its 2012 annual financial information and operating data with the MSRB via EMMA on June 28, 2013. However, the District’s 2011 Audit (rather than the District’s 2012 Audit) was inadvertently included with those materials. The District filed corrected 2012 annual financial information and operating data, along with the required notice of late filing, with the MSRB via EMMA on December 31, 2015.

On November 18, 2013, Standard and Poor’s Ratings Services raised its long-term rating and underlying rating on the District’s general obligation debt one notch to “BBB+” from “BBB.” The District filed an event notice for such rating change with the MSRB via EMMA on December 31, 2015.

On December 2, 2014, the District adopted procedures for continuing disclosure compliance.

MISCELLANEOUS

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

/s/ Chad Millis
President, Board of Directors

ATTEST:

/s/ Angela Wood
Secretary, Board of Directors

AERIAL LOCATION MAP
(Approximate boundaries as of September 2019)



FORT BEND COUNTY
MUNICIPAL UTILITY
DISTRICT No. 116

SOUTHWEST FREEWAY
US HWY 59

CRABB RIVER RD.

THOMPSON RD.

PHOTOGRAPHS OF THE DISTRICT
(Taken September 2019)













APPENDIX A

The information contained in this appendix includes the Annual Audit Report of Fort Bend County Municipal Utility District No. 116 for the fiscal year ended December 31, 2018.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 116
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. 116 (the "District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 7, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's discussion and analysis of Fort Bend County Municipal Utility District No. 116's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,209,940 as of December 31, 2018.

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

The following is a comparative analysis of government-wide changes in net position:

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 15,356,781	\$ 15,249,543	\$ 107,238
Capital Assets (Net of Accumulated Depreciation)	23,841,708	23,576,827	264,881
Total Assets	\$ 39,198,489	\$ 38,826,370	\$ 372,119
Deferred Outflows of Resources	\$ 317,093	\$ 339,896	\$ (22,803)
Long-Term Liabilities	\$ 25,769,587	\$ 27,979,155	\$ 2,209,568
Other Liabilities	714,369	638,994	(75,375)
Total Liabilities	\$ 26,483,956	\$ 28,618,149	\$ 2,134,193
Deferred Inflows of Resources	\$ 4,821,686	\$ 4,838,798	\$ 17,112
Net Position:			
Net Investment in Capital Assets	\$ (731,625)	\$ (2,278,126)	\$ 1,546,501
Restricted	1,834,023	2,000,196	(166,173)
Unrestricted	7,107,542	5,987,249	1,120,293
Total Net Position	\$ 8,209,940	\$ 5,709,319	\$ 2,500,621

The following table provides a summary of the District's operations for the years ended December 31, 2018, and December 31, 2017. The District's net position increased by \$2,500,621.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 4,765,414	\$ 4,640,092	\$ 125,322
Charges for Services	1,909,968	1,833,960	76,008
Other Revenues	465,158	478,268	(13,110)
Total Revenues	\$ 7,140,540	\$ 6,952,320	\$ 188,220
Expenses for Services	4,639,919	4,693,960	54,041
Change in Net Position	\$ 2,500,621	\$ 2,258,360	\$ 242,261
Net Position, Beginning of Year	5,709,319	3,450,959	2,258,360
Net Position, End of Year	\$ 8,209,940	\$ 5,709,319	\$ 2,500,621

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of the fiscal year ended December 31, 2018, were \$9,756,279, an increase of \$39,321 from the prior year.

The General Fund fund balance increased by \$1,140,725, primarily due to property tax and service revenues exceeding operating expenditures.

The Debt Service Fund fund balance decreased by \$196,259, due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$905,145, primarily due to the use of surplus funds from prior bond issues to fund capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$115,847 more than budgeted revenues primarily due to higher than anticipated tap connection and inspection fee revenue. Actual expenditures were \$786,597 less than budgeted expenditures primarily due to less than anticipated wastewater service fees and capital outlay costs. Overall, General Fund fund balance increased \$902,444 more than budget.

CAPITAL ASSETS

The District's capital assets as of December 31, 2018, total \$23,841,708 (net of accumulated depreciation) and include land and land improvements, construction in progress, buildings and equipment as well as the water, wastewater and drainage systems.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 1,594,928	\$ 1,081,903	\$ 513,025
Construction in Progress	622,896	293,714	329,182
Capital Assets, Net of Accumulated Depreciation:			
Buildings	3,043	3,367	(324)
Water System	3,859,047	3,704,418	154,629
Wastewater System	9,645,253	10,105,767	(460,514)
Drainage System	8,116,541	8,387,658	(271,117)
Total Net Capital Assets	<u>\$ 23,841,708</u>	<u>\$ 23,576,827</u>	<u>\$ 264,881</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$25,000,000. The changes in the debt position of the District during the fiscal year ended December 31, 2018, are summarized as follows:

Bond Debt Payable, January 1, 2018	\$ 27,170,000
Less: Bond Principal Paid	<u>2,170,000</u>
Bond Debt Payable, December 31, 2018	<u><u>\$ 25,000,000</u></u>

The District's Series 2009, Series 2010, Series 2011 Refunding and Series 2012 Refunding Bonds carry an underlying rating of "BBB+" from Standard & Poor's and an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2013 Refunding and Series 2013A Refunding Bonds carry an underlying rating of "BBB+" from Standard & Poor's and an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Build America Mutual. The Series 2017, Series 2016 and Series 2016A Refunding Bonds carry an underlying rating of "A2" from Moody's and an insured rating by Standard & Poor's of "AA" by virtue of bond insurance issued by Build America Mutual. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings are as of December 31, 2018, and reflect all rating changes of the bond insurers through the fiscal year end.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2019 projects a General Fund fund balance increase of \$875,918.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 116, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 129,571	\$ 1,165,216
Investments	6,806,801	2,063,830
Receivables:		
Property Taxes	1,433,942	2,192,782
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance for		
Uncollectible Accounts of \$5,000)	175,566	
Accrued Interest	20,776	14,400
Other	7,148	
Due from Other Funds	430,023	
Prepaid Costs	257,712	
Capital Assets (Net of Accumulated		
Depreciation):		
Land and Land Improvements		
Construction in Progress		
Water, Wastewater, and Drainage Systems and		
Other Depreciable Assets		
TOTAL ASSETS	<u>\$ 9,261,539</u>	<u>\$ 5,436,228</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>\$ 9,261,539</u>	<u>\$ 5,436,228</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 300	\$ 1,295,087	\$	\$ 1,295,087
842,195	9,712,826		9,712,826
	3,626,724		3,626,724
		42,007	42,007
	175,566		175,566
	35,176		35,176
	7,148		7,148
80,038	510,061	(510,061)	
	257,712	204,535	462,247
		1,594,928	1,594,928
		622,896	622,896
		21,623,884	21,623,884
<u>\$ 922,533</u>	<u>\$ 15,620,300</u>	<u>\$ 23,578,189</u>	<u>\$ 39,198,489</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 317,093</u>	<u>\$ 317,093</u>
<u>\$ 922,533</u>	<u>\$ 15,620,300</u>	<u>\$ 23,895,282</u>	<u>\$ 39,515,582</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 251,434	\$
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds	80,038	430,023
Due to Taxpayers		20,830
Security Deposits	107,748	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	<u>\$ 439,220</u>	<u>\$ 450,853</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 1,952,951</u>	<u>\$ 2,977,625</u>
FUND BALANCES		
Nonspendable -		
Prepaid Costs	\$ 257,712	\$
Restricted for Authorized Construction		
Restricted for Debt Service		2,007,750
Unassigned	<u>6,611,656</u>	
TOTAL FUND BALANCES	<u>\$ 6,869,368</u>	<u>\$ 2,007,750</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,261,539</u>	<u>\$ 5,436,228</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 3,296	\$ 254,730	\$	\$ 254,730
		290,985	290,985
40,076	40,076		40,076
	510,061	(510,061)	
	20,830		20,830
	107,748		107,748
		2,210,000	2,210,000
		<u>23,559,587</u>	<u>23,559,587</u>
<u>\$ 43,372</u>	<u>\$ 933,445</u>	<u>\$ 25,550,511</u>	<u>\$ 26,483,956</u>
<u>\$ -0-</u>	<u>\$ 4,930,576</u>	<u>\$ (108,890)</u>	<u>\$ 4,821,686</u>
\$	\$ 257,712	\$ (257,712)	\$
879,161	879,161	(879,161)	
	2,007,750	(2,007,750)	
	<u>6,611,656</u>	<u>(6,611,656)</u>	
<u>\$ 879,161</u>	<u>\$ 9,756,279</u>	<u>\$ (9,756,279)</u>	<u>\$ - 0 -</u>
<u>\$ 922,533</u>	<u>\$ 15,620,300</u>		
		\$ (731,625)	\$ (731,625)
		1,834,023	1,834,023
		<u>7,107,542</u>	<u>7,107,542</u>
		<u>\$ 8,209,940</u>	<u>\$ 8,209,940</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Governmental Funds	\$	9,756,279
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		204,535
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		317,093
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		23,841,708
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Deferred inflows of resources related to property tax revenues and uncollected penalty and interest on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		150,897
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (290,985)	
Bonds Payable Within One Year	(2,210,000)	
Bonds Payable After One Year	<u>(23,559,587)</u>	<u>(26,060,572)</u>
Total Net Position - Governmental Activities	\$	<u>8,209,940</u>

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

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,858,964	\$ 2,896,288
Water Service	485,611	
Wastewater Service	469,773	
GRP Revenues	395,351	
Penalty and Interest	47,466	27,152
Tap Connection and Inspection Fees	163,390	
Investment Revenues	121,582	50,735
Fire Contract Revenues	321,649	
City of Richmond-SPA Revenues	224,952	
Miscellaneous Revenues	18,790	21,532
TOTAL REVENUES	\$ 4,107,528	\$ 2,995,707
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 206,047	\$ 12,048
Contracted Services	306,258	64,169
Purchased Wastewater Service	309,003	
Utilities	69,120	
GRP Assessment	503,749	
Repairs and Maintenance	778,257	
Fire Contract Costs	268,649	
Depreciation		
Other	251,397	15,087
Capital Outlay	274,323	
Debt Service:		
Bond Issuance Costs		
Bond Principal		2,170,000
Bond Interest		930,662
TOTAL EXPENDITURES/EXPENSES	\$ 2,966,803	\$ 3,191,966
NET CHANGE IN FUND BALANCES	\$ 1,140,725	\$ (196,259)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2018	5,728,643	2,204,009
FUND BALANCES/NET POSITION - DECEMBER 31, 2018	\$ 6,869,368	\$ 2,007,750

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 4,755,252	\$ 10,162	\$ 4,765,414
	485,611		485,611
	469,773		469,773
	395,351		395,351
	74,618	(424)	74,194
	163,390		163,390
27,567	199,884		199,884
	321,649		321,649
	224,952		224,952
	40,322		40,322
<u>\$ 27,567</u>	<u>\$ 7,130,802</u>	<u>\$ 9,738</u>	<u>\$ 7,140,540</u>
\$ 34,449	\$ 252,544	\$	\$ 252,544
	370,427		370,427
	309,003		309,003
	69,120		69,120
	503,749		503,749
	778,257		778,257
	268,649		268,649
		884,106	884,106
259	266,743		266,743
874,664	1,148,987	(1,148,987)	
23,340	23,340		23,340
	2,170,000	(2,170,000)	
	930,662	(16,681)	913,981
<u>\$ 932,712</u>	<u>\$ 7,091,481</u>	<u>\$ (2,451,562)</u>	<u>\$ 4,639,919</u>
\$ (905,145)	\$ 39,321	\$ (39,321)	\$
		2,500,621	2,500,621
1,784,306	9,716,958	(4,007,639)	5,709,319
<u>\$ 879,161</u>	<u>\$ 9,756,279</u>	<u>\$ (1,546,339)</u>	<u>\$ 8,209,940</u>

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

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$	39,321
--	----	--------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		10,162
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Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		(424)
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(884,106)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,148,987
---	--	-----------

Governmental funds report bond insurance costs as expenditures and deferred charges on refunding bonds, bond premiums and bond discounts as other financing sources in the year paid and received. However, in the Statement of Net Position, bond insurance costs, deferred charges on refunding bonds, bond premiums and bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		(7,870)
---	--	---------

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		2,170,000
---	--	-----------

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		24,551
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Change in Net Position - Governmental Activities	\$	2,500,621
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The accompanying notes to the financial
statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 116 of Fort Bend County, Texas (the “District”) was created effective March 18, 1998 by an Order of the Texas Commission on Environmental Quality (the “Commission”). The formation of the District was confirmed by an election held August 8, 1998. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 18, 1998, and sold its first bonds on June 27, 2000.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

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

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

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include 2017 taxes collected during the period October 1, 2017, to December 31, 2018. In addition, taxes collected from January 1, 2018, to December 31, 2018, for the 2016 and prior tax levies are included in revenue. The 2018 tax levy has been fully deferred to meet the obligations of the District in the 2019 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2018, the District’s Debt Service Fund owed the General Fund \$430,023 for maintenance tax collections. The District’s General Fund owed the Capital Projects Fund \$80,038 for bond issue costs.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

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

Pensions

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding long-term liabilities for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Bonds Payable	\$ 27,170,000	\$	\$ 2,170,000	\$ 25,000,000
Unamortized Discounts	(113,480)		(27,009)	(86,471)
Unamortized Premiums	922,635		66,577	856,058
Bonds Payable, Net	<u>\$ 27,979,155</u>	<u>\$ -0-</u>	<u>\$ 2,209,568</u>	<u>\$ 25,769,587</u>
			Amount Due Within One Year	\$ 2,210,000
			Amount Due After One Year	<u>23,559,587</u>
			Bonds Payable, Net	<u>\$ 25,769,587</u>

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

The District's bonds payable at December 31, 2018, consists of the following unlimited tax bonds:

	Series 2009	Series 2010	Series 2011 Refunding
Amount Outstanding – December 31, 2018	\$320,000	\$350,000	\$2,805,000
Interest Rates	5.25%	4.20%	3.125% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2020	September 1, 2019/2022	September 1, 2019/2024
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2017*	September 1, 2018*	September 1, 2019*
	Series 2012 Refunding	Series 2013 Refunding	Series 2013A Refunding
Amount Outstanding – December 31, 2018	\$5,405,000	\$2,820,000	\$1,770,000
Interest Rates	3.00% - 4.00%	2.00% - 3.50%	3.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2027	September 1, 2019/2030	September 1, 2019/2024
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2019*	September 1, 2019*	September 1, 2020*

* Or any date thereafter, at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

	Series 2016	Series 2016A Refunding	Series 2017
Amount Outstanding – December 31, 2018	\$1,975,000	\$6,920,000	\$2,635,000
Interest Rates	1.35% - 3.25%	2.00% - 4.00%	2.00% - 3.25%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2034	September 1, 2019/2034	September 1, 2019/2034
Interest Payment Dates	March 1/ September 1	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2023*	September 1, 2024*	September 1, 2024*

* Or any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 term bonds maturing September 1, 2030, September 1, 2032, and September 1, 2034 are subject to mandatory redemption beginning September 1, 2029, September 1, 2031, and September 1, 2033, respectively. Series 2017 term bonds maturing September 1, 2030, September 1, 2032, and September 1, 2034 are subject to mandatory redemption beginning September 1, 2029, September 1, 2031, and September 1, 2033, respectively.

As of December 31, 2018, the debt service requirements on the bond outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 2,210,000	\$ 868,606	3,078,606
2020	2,255,000	805,728	3,060,728
2021	2,305,000	729,282	3,034,282
2022	2,360,000	653,807	3,013,807
2023	2,420,000	573,220	2,993,220
2024-2028	8,700,000	1,688,212	10,388,212
2029-2033	4,265,000	492,740	4,757,740
2034	485,000	16,887	501,887
	<u>\$ 25,000,000</u>	<u>\$ 5,828,482</u>	<u>\$ 30,828,482</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended December 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.62 per \$100 of assessed valuation, which resulted in a tax levy of \$2,902,374 on the adjusted taxable valuation of \$468,125,589 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

The bond resolutions state that so long as any of the bonds are outstanding, the District covenants to maintain insurance on such parts of the system as are usually insured by municipal corporations and political subdivisions in Texas operating like properties in similar locations under the same circumstances with a responsible insurance company or companies against risk, accidents or casualties against which and to the extent insurance is usually carried by such municipal corporations and political subdivisions; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefore, the District shall not be required to carry such insurance.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$5,855,087 and the bank balance was \$5,458,565. Of the bank balance, \$4,971,927 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 129,571	\$ 2,880,000	\$ 3,009,571
DEBT SERVICE FUND	1,165,216	1,680,000	2,845,216
CAPITAL PROJECTS FUND	300		300
TOTAL DEPOSITS	<u>\$ 1,295,087</u>	<u>\$ 4,560,000</u>	<u>\$ 5,855,087</u>

Investments

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

As of December 31, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
TexPool	\$ 3,926,801	\$ 3,926,801	\$	\$	\$
Certificates of Deposit	2,880,000	2,880,000			
<u>DEBT SERVICE FUND</u>					
TexPool	383,830	383,830			
Certificates of Deposit	1,680,000	1,680,000			
<u>CAPITAL PROJECTS FUND</u>					
TexPool	842,195	842,195			
TOTAL INVESTMENTS	\$ 9,712,826	\$ 9,712,826	\$ - 0 -	\$ - 0 -	\$ - 0 -

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2018, the District's investments in TexPool were rated AAAM by Standard and Poor's Rating Agency. The District also manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers its investments in TexPool to have maturities of less than one year due to the fact that the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018:

	January 1, 2018	Increases	Decreases	December 31, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,081,903	\$ 513,025	\$	\$ 1,594,928
Construction in Progress	293,714	563,932	234,750	622,896
Total Capital Assets Not Being Depreciated	<u>\$ 1,375,617</u>	<u>\$ 1,076,957</u>	<u>\$ 234,750</u>	<u>\$ 2,217,824</u>
Capital Assets Subject to Depreciation				
Buildings	\$ 8,094	\$	\$	\$ 8,094
Water System	5,686,341	306,780		5,993,121
Wastewater System	14,149,507			14,149,507
Drainage System	12,222,631			12,222,631
Other	50,000			50,000
Total Capital Assets Subject to Depreciation	<u>\$ 32,116,573</u>	<u>\$ 306,780</u>	<u>\$ - 0 -</u>	<u>\$ 32,423,353</u>
Less Accumulated Depreciation				
Buildings	\$ 4,727	\$ 324	\$	\$ 5,051
Water System	1,981,923	152,151		2,134,074
Wastewater System	4,043,740	460,514		4,504,254
Drainage System	3,834,973	271,117		4,106,090
Other	50,000			50,000
Total Accumulated Depreciation	<u>\$ 9,915,363</u>	<u>\$ 884,106</u>	<u>\$ - 0 -</u>	<u>\$ 10,799,469</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,201,210</u>	<u>\$ (577,326)</u>	<u>\$ - 0 -</u>	<u>\$ 21,623,884</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,576,827</u>	<u>\$ 499,631</u>	<u>\$ 234,750</u>	<u>\$ 23,841,708</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in the deferred outflows of resources for the year ended December 31, 2018:

	January 1, 2018	Additions	Retirements	December 31, 2018
Deferred charges on refunding bonds	\$ 339,896	\$ -0-	\$ 22,803	\$ 317,093

NOTE 8. MAINTENANCE TAX

On August 8, 1998, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the year ended December 31, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.41 per \$100 of assessed valuation, which resulted in a tax levy of \$1,919,312 on the taxable valuation of \$468,125,589 for the 2018 tax year.

NOTE 9. UNREIMBURSED COSTS

The District has entered into development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water and sewer facilities and utilities construction until such time as the District can sell bonds. As of December 31, 2018, a Developer within the District has expended approximately \$1,266,000 related to construction costs associated with facilities to serve the Estates at Lakes of Williams Ranch, Section 1. This project is still under construction as of December 31, 2018.

NOTE 10. RISK MANAGEMENT

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11. EMERGENCY WATER SUPPLY CONTRACTS

On February 15, 2001, the District entered into an Emergency Water Supply Contract with Fort Bend County Municipal Utility District No. 106 ("District No. 106"). The District constructed, at its sole cost, a water line at least 12" in diameter to be connected to the District No. 106 water line. The District maintains and repairs the facilities on behalf of the districts. Cost for maintenance and repair is split 50/50. Each district is authorized to take water in an emergency; however, outside an emergency, water can only be taken upon prior written consent from the supplying district. The rate billed for water used in an emergency is calculated at \$1.00 per one thousand gallons metered. The term of this agreement is for a period of 50 years; provided, however, upon the annexation of either district by a City, this contract shall automatically terminate unless specifically extended and continued by such City. On December 12, 2017, District No. 106 was annexed and dissolved by the City of Sugar Land. The District is in discussions with the City of Sugar Land regarding continuation of the Emergency Water Supply Contract entered into with District No. 106.

On October 22, 2007, the District entered into an Emergency Water Supply Contract with the City of Richmond, Texas (the "City"). The District will design and construct, at its sole cost, two water lines to be connected to the City's water line. The Williams Way interconnect has been constructed and conveyed to the City and the City will be responsible for its operation and maintenance. A second interconnect may be constructed in the future, and if so, will be operated and maintained by the District. Each party is authorized to take water in an emergency only after providing notice to the supplying party, except for when the emergency is a fire. If the emergency is a fire, notice must be given to the supplying party at the earliest practicable time. The rate billed for water used in an emergency is calculated at the then current per 1,000 gallons rate charged by the City to schools in its ordinance, plus any fees (including any penalty fee) related to compliance with a groundwater reduction plan or surface water contract. The term of this agreement is for a period of 40 years from November 1, 2007, the effective date of the agreement, and shall automatically renew for consecutive one-year terms unless terminated as provided in the agreement; however, upon the annexation of the District, this contract shall automatically terminate.

On June 14, 2011, the District entered into a Letter Agreement with Fort Bend County Municipal Utility District No. 121 ("District No. 121") in connection with the District's proposed second interconnect with the City adjacent to U.S. Highway 59. District No. 121 requested that the District deposit \$14,400 to cover estimated legal and engineering costs for the interconnect. Of this amount, \$4,119 was refunded to the District during a prior fiscal year. This project has been completed.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12. FIRE PROTECTION AGREEMENT

On June 11, 2001, the District entered into a Fire Protection Agreement with the City which provides that the City will provide fire protection to persons, buildings and property located within the District within the City's extraterritorial jurisdiction. This agreement became effective on March 1, 2002, after the board had declared the favorable results of the voter election to approve the fire plan on February 5, 2002.

Under the terms of the agreement, the District was required to make monthly payments of (1) \$9.62 for each residential unit in the District that is connected to the public water supply system; and (2) \$9.62 per 2,000 square feet or part thereof of building floor area for every improved non-residential property. The monthly charges became effective in August 2003. These monthly charges remained in effect until October 1, 2008, and thereafter were adjusted annually for 100% of the increase or decrease, if any, between the most recently published Consumer Price Index (CPI) and the CPI for the preceding calendar year. Effective October 1, 2013, the First Amendment to Fire Protection Agreement was approved setting the fee to \$13.95 through October 1, 2018. The agreement was automatically renewed and remained in effect at December 31, 2018.

The District was required to pay the City a \$100,000 cash contribution toward the capital cost of the new fire station. During a prior fiscal year, a Developer within the District made a \$50,000 non-reimbursable cash contribution toward the District's required \$100,000 cash contribution.

During April 2004, the City opened a substation no. 2 to serve the District's fire protection needs. At that time, the City ceased applying \$3.62 of each \$9.62 monthly fee toward the required cash contribution. To date, the City has collected \$74,215 of the required cash contribution, including the \$50,000 funded by the Developer. The City, in the future, will receive bids to build a new permanent fire station. At that point in time, the City may invoice the District for any remaining amount that may be due in accordance with the agreement.

The term of the agreement is 15 years and is automatically renewed for successive one-year terms. The agreement terminates upon the date the District is dissolved by reason of annexation by the City.

Under the District's rate order, in effect as of December 31, 2018, each equivalent residential connection was charged \$13.95 per month and each commercial connection was billed \$13.95 per 2,000 square feet or part thereof of building floor area. During the current fiscal year, the District recorded fire protection service expenditures of \$268,649.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective October 22, 2007, the District entered into a Strategic Partnership Agreement with the City. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a commercial tract of land defined as the “Limited-Purpose Tract” for limited purposes and a commercial tract of land defined as the “Full-Purpose Tract” for full purposes. The City has annexed the Full-Purpose Tract and the Limited-Purpose Tract. In accordance with the agreement, the District is authorized to exercise all powers and functions of a municipal utility district provided by law, including, without limiting the foregoing, the power to incur additional debts, liabilities, or obligations, to construct additional utility facilities, or to contract with others for the provision and operation thereof, or sell or otherwise transfer property without prior approval of the City.

The District shall not be liable for any present or future debts of the City, and current and future ad valorem taxes levied by the City will not be levied on taxable property within the District, other than within the Full-Purpose Tract.

The City shall impose a Sales and Use Tax within the boundaries of both the Full-Purpose Tract and the Limited-Purpose Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate provided within the City. The City agrees to pay the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Full-Purpose Tract and the Limited-Purpose Tract. The City agrees to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller’s office.

The term of this agreement is 50 years from the effective date, unless terminated on an earlier date pursuant to other provisions or by express written agreement executed by the City and the District. Upon expiration of the initial term, the agreement will automatically be extended for successive one-year periods, unless either the City or the District gives notice to the other of its intent to terminate prior to any extension. The District recorded revenues of \$224,952 in relation to this agreement during the current fiscal year.

NOTE 14. REGIONAL WASTEWATER TREATMENT PLANT AGREEMENT

On September 4, 2007, the District entered into a Regional Wastewater Treatment Plant Agreement with the City. On April 20, 2009, the District entered into the Amended Regional Wastewater Treatment Plant Agreement with the City. The District and the City have determined to construct and operate a regional wastewater treatment plant (the “plant”) with ultimate capacity to treat approximately 5 million gallons per day, on a site owned by the City. The plant is expected to be constructed in three phases. Phases 1, 2 and 3 will be constructed with capacities of 0.95 mgd, 2.05 mgd and 2.0 mgd, respectively. The first phase was completed during a prior fiscal year. The second and third phases are expected to be operational by January 2020 and January 2030, respectively. It is anticipated that the District will only participate in the cost of Phase I and it will not acquire additional capacity in Phases 2 or 3.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14. REGIONAL WASTEWATER TREATMENT PLANT AGREEMENT
(Continued)

The City will be legal owner of the plant; however, the parties have beneficial ownership according to their ownership shares.

The District agrees to reimburse the City for the acquisition cost of the site on which the plant will be located. The District will reimburse the City its pro rata share of these costs based upon its pro rata share of the ultimate number of equivalent single family residential connections ("ESFRC") to be served by the plant, as follows:

ULTIMATE PLANT CAPACITY		
	ESFRCs	%
District	2,800	17.6%
City	<u>13,071</u>	<u>82.4</u>
TOTAL	<u>15,871</u>	<u>100.0%</u>

The allocation of construction costs for each phase of the plant will be allocated between the parties based upon each party's pro rata share of the projected number of ESFRC's to be served by the phase of the plant under construction. These are projected as follows:

	PHASE 1		PHASE 2		FINAL PHASE		ULTIMATE CAPACITY	
	ESFRCs	%	ESFRCs	%	ESFRCs	%	ESFRCs	%
District	2,800	100.0%	-0-	0%	-0-	0%	2,800	17.6%
City	<u>-0-</u>	<u>0.0</u>	<u>6,722</u>	<u>100</u>	<u>6,349</u>	<u>100</u>	<u>13,071</u>	<u>82.4</u>
TOTAL	<u>2,800</u>	<u>100.0%</u>	<u>6,722</u>	<u>100%</u>	<u>6,349</u>	<u>100%</u>	<u>15,871</u>	<u>100.0%</u>

The City will operate the plant for the benefit of all parties. Each month, the City will allocate the operating costs between the parties based upon each party's ownership shares in the particular phase of the plant then in operation. The estimated ownership shares are as follows:

	PHASE 1		PHASE 1 + PHASE 2		PHASE 1 + PHASE 2 + FINAL PHASE	
	ESFRCs	%	ESFRCs	%	ESFRCs	%
District	2,800	100.0%	2,800	29.4%	2,800	17.6%
City	<u>-0-</u>	<u>0.0</u>	<u>6,722</u>	<u>70.6</u>	<u>13,071</u>	<u>82.4</u>
TOTAL	<u>2,800</u>	<u>100.0%</u>	<u>9,522</u>	<u>100.0%</u>	<u>15,871</u>	<u>100.0%</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 14. REGIONAL WASTEWATER TREATMENT PLANT AGREEMENT
(Continued)

The agreement will continue until the District is dissolved and annexed for full purposes by the City, unless terminated on an earlier date by express written agreement executed by the City and the District. During the current fiscal year, the District recorded expenditures of \$309,003 in relation to this agreement.

NOTE 15. COST SHARING AGREEMENT – LEVEE AND PUMP STATION

On November 4, 2008 the District executed a Cost Sharing Agreement for Levee and Pump Station Costs (the “Agreement”) with Fort Bend County Levee Improvement District No. 11 (“District No. 11”). District No. 11 owns a continuous levee system to provide flood protection and a storm water pumping facility. Previously, the District had been paying a pro-rata share of the operating costs of the levee and pump station pursuant to a drainage agreement entered into by the developers of the District dated December 15, 1987. Under the terms of the Agreement, the parties agree to share the costs of operating, maintaining, and repairing the levee and pump station according to their respective properties protected by the levee. The District agrees to pay 22% of the costs and District No. 11 agrees to pay 78% of the costs. The District recorded expenditures of \$362,782 in the current year related to this agreement, which included operating and maintenance costs along with funding to raise the levee and \$257,712 of prepaid funding for future sluice gate improvements.

The term of the Agreement is 40 years through 2048, unless sooner terminated pursuant to the terms of the Agreement. At the end of the term in 2048, the agreement will renew year-to-year, unless sooner terminated pursuant to the terms of the Agreement.

NOTE 16. GROUNDWATER REDUCTION PLAN WITH THE CITY OF RICHMOND

On June 15, 2009, the District entered into a Groundwater Reduction Plan Participation Agreement with the City. The agreement was amended effective October 1, 2009. To comply with Fort Bend Subsidence District (“Subsidence District”) requirements, the District has contracted with the City to participate in the City’s Groundwater Reduction Plan (“GRP”). The City has developed a GRP that was filed with the Subsidence District in September 2010. The City has included the District in the GRP and included the pumpage from permitted wells owned by the District in the City’s request for the Subsidence District’s certification of the GRP. The City has also entered into similar agreements with other entities for participation in the City’s GRP.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16. GROUNDWATER REDUCTION PLAN WITH THE CITY OF RICHMOND (Continued)

To ensure compliance with the regulatory plan the City will determine if and when the District must convert to the use of a non-groundwater supply in whole or in part. If the District is required to convert to a non-groundwater supply, the City will contract for or acquire the non-groundwater supply to meet the District's conversion amount and pay all costs related to same. The City will pay all costs required to secure any necessary real property interests, and to acquire, design, and construct all facilities and improvements necessary to bring in the non-groundwater supply line source to the District's point of delivery. The City will own, operate and maintain the non-groundwater infrastructure and measuring equipment.

If the District voluntarily converts to a non-groundwater supply, the District may not reduce the amount of surface water that the District is obligated to take or pay from the City. The District will construct and maintain all facilities and pay all costs incurred in a voluntary conversion project.

Whether the conversion is voluntary or mandatory the City will receive any Subsidence District credits generated by the conversion and will apply the credits for the benefit of all GRP participants.

The City may adopt a surcharge in an amount determined necessary to achieve the groundwater reduction requirements of the Subsidence District or to encourage the use of surface water to be purchased from the City. The City may adopt and require participants to pay a reasonable surcharge if the participant pumps or uses more water than its planned water use.

The participants shall pay an annual surface water charge, in an amount to be determined by the City. The surface water charge consists of two components: the raw water reservation component and the treated water component. The raw water component shall equal the total amount that the City is required to pay the Brazos River Authority ("BRA"). The treated water component shall equal the City's cost to plan, design, construct, operate and repair the facilities required to receive, treat, store and deliver raw water made available by the BRA to the City and for the City to treat the raw water and deliver the treated water to the participant's point of delivery. On January 1, 2015, the City began billing the District on a monthly basis for groundwater pumped from the District's wells in lieu of the annual surface water charge. At December 31, 2018, the pumpage fee was \$2.20 per 1,000 gallons pumped from the District's wells. During the current year, the District paid the City \$503,749 in groundwater reduction fees.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 17. USE OF SURPLUS FUNDS

In accordance with Rule 30 T.A.C. 293.83(c)(3) of the Commission, the District approved the use of surplus Capital Projects Fund monies to cover the costs of the water plant no. 1 recoating improvements. During the current fiscal year, the District expended \$51,651 to complete this project. Also during the current fiscal year, the District used surplus water and sewer revenue monies to reimburse the developer for land acquisition costs of a drainage channel tract in the amount of \$127,549.

NOTE 18. SUBSEQUENT EVENT

The District anticipates selling its Series 2019 Unlimited Tax Refunding Bonds in the amount of \$6,365,000 on June 18, 2019. Proceeds of the bond sale will be used to refund a portion of the outstanding Series 2010 Unlimited Tax Bonds, Series 2011 Unlimited Tax Refunding Bonds and Series 2012 Unlimited Tax Refunding Bonds.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,794,901	\$ 1,858,964	\$ 64,063
Water Service	475,000	485,611	10,611
Wastewater Service	460,000	469,773	9,773
GRP Revenues	598,000	395,351	(202,649)
Penalty and Interest	53,000	47,466	(5,534)
Tap Connection and Inspection Fees	46,880	163,390	116,510
Investment Revenues	47,500	121,582	74,082
Fire Contract Revenues	290,000	321,649	31,649
City of Richmond-SPA Revenues	216,000	224,952	8,952
Miscellaneous Revenues	<u>10,400</u>	<u>18,790</u>	<u>8,390</u>
TOTAL REVENUES	<u>\$ 3,991,681</u>	<u>\$ 4,107,528</u>	<u>\$ 115,847</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 193,675	\$ 206,047	\$ (12,372)
Contracted Services	350,475	306,258	44,217
Purchased Wastewater Service	470,000	309,003	160,997
Utilities	97,000	69,120	27,880
GRP Assessment	598,000	503,749	94,251
Repairs and Maintenance	573,000	778,257	(205,257)
Fire Contract Costs	345,000	268,649	76,351
Other	275,750	251,397	24,353
Capital Outlay	<u>850,500</u>	<u>274,323</u>	<u>576,177</u>
TOTAL EXPENDITURES	<u>\$ 3,753,400</u>	<u>\$ 2,966,803</u>	<u>\$ 786,597</u>
NET CHANGE IN			
FUND BALANCE	\$ 238,281	\$ 1,140,725	\$ 902,444
FUND BALANCE -			
JANUARY 1, 2018	<u>5,728,643</u>	<u>5,728,643</u>	
FUND BALANCE -			
DECEMBER 31, 2018	<u>\$ 5,966,924</u>	<u>\$ 6,869,368</u>	<u>\$ 902,444</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

DECEMBER 31, 2018

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

2. RETAIL SERVICE PROVIDERS

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

Based on the rate order approved November 6, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 10.00	5,000	N	\$ 2.00 \$ 2.50 \$ 3.00 \$ 3.50	5,001 to 10,000 10,001 to 15,000 15,001 to 20,000 20,001 and up
WASTEWATER:	\$ 22.35		Y		
SURCHARGE:					
Solid Waste/ Garbage	Included in fees above				
Commission					
Regulatory Assessments	Included in fees above				
Groundwater Reduction Fees	\$ 2.20 per 1,000 gallons billed				
Other Fire Protection Services	\$ 13.95				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$20.00 Wastewater: \$22.35 Surcharge: \$35.95

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>1,285</u>	<u>1,268</u>	x 1.0	<u>1,268</u>
1"	<u>77</u>	<u>74</u>	x 2.5	<u>185</u>
1½"	<u>12</u>	<u>12</u>	x 5.0	<u>60</u>
2"	<u>43</u>	<u>43</u>	x 8.0	<u>344</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"	<u>5</u>	<u>5</u>	x 80.0	<u>400</u>
10"			x 115.0	
Total Water Connections	<u>1,426</u>	<u>1,406</u>		<u>2,362</u>
Total Wastewater Connections	<u>1,371</u>	<u>1,354</u>	x 1.0	<u>1,354</u>

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

Gallons pumped into system:	226,229,000	Water Accountability Ratio: 79.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	180,160,000	

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely ☐ Partly ☒ Not at all ☐

City or Cities in which the District is located:

City of Sugar Land, Texas and City of Richmond, Texas

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which District is located:

City of Richmond, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

PROFESSIONAL FEES:

Arbitrage	\$ 15,000
Auditing	16,800
Engineering	61,340
Legal	<u>112,907</u>

TOTAL PROFESSIONAL FEES	<u>\$ 206,047</u>
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PURCHASED SERVICES FOR RESALE -

Purchased Wastewater Service	<u>\$ 309,003</u>
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CONTRACTED SERVICES:

Bookkeeping	\$ 24,946
Operations and Billing	<u>55,278</u>

TOTAL CONTRACTED SERVICES	<u>\$ 80,224</u>
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UTILITIES:

Electricity	\$ 63,870
Telephone	<u>5,250</u>

TOTAL UTILITIES	<u>\$ 69,120</u>
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REPAIRS AND MAINTENANCE	<u>\$ 778,257</u>
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ADMINISTRATIVE EXPENDITURES:

Director Fees	\$ 14,250
Dues	4,013
Insurance	12,630
Office Supplies and Postage	4,464
Payroll Administration	19,575
Travel and Meetings	1,570
GRP Assessment	503,749
Other	<u>16,310</u>

TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 576,561</u>
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CAPITAL OUTLAY -

Capitalized Assets	<u>\$ 274,323</u>
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See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2018

TAP CONNECTIONS	\$ <u>38,303</u>
SOLID WASTE DISPOSAL	\$ <u>226,034</u>
FIRE FIGHTING	\$ <u>268,649</u>
OTHER EXPENDITURES:	
Chemicals	\$ 3,124
HOA Contribution	100,000
Laboratory Fees	1,971
Permit Fees	3,448
Inspection Fees	18,098
Regulatory Assessment	4,559
Other	<u>9,082</u>
TOTAL OTHER EXPENDITURES	\$ <u>140,282</u>
TOTAL EXPENDITURES	<u>\$ 2,966,803</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
INVESTMENTS
DECEMBER 31, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 3,926,801	\$ -0-
Certificate of Deposit	XXXX7707	1.30%	03/26/19	240,000	2,419
Certificate of Deposit	XXXX4020	2.35%	05/07/19	240,000	1,283
Certificate of Deposit	XXXX0576	2.35%	06/06/19	240,000	1,283
Certificate of Deposit	XXXX9374	2.32%	07/07/19	240,000	1,266
Certificate of Deposit	XXXX0697	1.60%	03/23/19	240,000	2,977
Certificate of Deposit	XXXX4325	2.40%	10/10/19	240,000	1,294
Certificate of Deposit	XXXX2031	2.35%	10/27/19	240,000	448
Certificate of Deposit	XXXX4302	2.00%	04/18/19	240,000	3,380
Certificate of Deposit	XXXX0139	2.30%	09/04/19	240,000	1,255
Certificate of Deposit	XXXX7674	2.67%	12/02/19	240,000	509
Certificate of Deposit	XXXX6672	2.35%	08/05/19	240,000	1,282
Certificate of Deposit	XXXX0272	2.00%	04/18/19	<u>240,000</u>	<u>3,380</u>
TOTAL GENERAL FUND				<u>\$ 6,806,801</u>	<u>\$ 20,776</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 383,830	\$ -0-
Certificate of Deposit	XXXX0705	1.00%	02/16/19	240,000	1,861
Certificate of Deposit	XXXX7682	0.95%	02/19/19	240,000	1,768
Certificate of Deposit	XXXX0698	1.60%	02/16/19	240,000	2,977
Certificate of Deposit	XXXX4281	1.25%	02/23/19	240,000	2,326
Certificate of Deposit	XXXX1022	1.10%	02/19/19	240,000	2,025
Certificate of Deposit	XXXX9216	0.95%	02/19/19	240,000	1,768
Certificate of Deposit	XXXX8091	0.90%	02/19/19	<u>240,000</u>	<u>1,675</u>
TOTAL DEBT SERVICE FUND				<u>\$ 2,063,830</u>	<u>\$ 14,400</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	<u>\$ 842,195</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u><u>\$ 9,712,826</u></u>	<u><u>\$ 35,176</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JANUARY 1, 2018	\$ 1,097,823		\$ 1,737,017	
Adjustments to Beginning Balance	<u>(26,270)</u>	\$ 1,071,553	<u>(47,116)</u>	\$ 1,689,901
Original 2018 Tax Levy	\$ 1,916,291		\$ 2,897,805	
Adjustment to 2018 Tax Levy	<u>3,021</u>	<u>1,919,312</u>	<u>4,569</u>	<u>2,902,374</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,990,865		\$ 4,592,275
TAX COLLECTIONS:				
Prior Years	\$ 1,037,914		\$ 1,614,650	
Current Year	<u>519,009</u>	<u>1,556,923</u>	<u>784,843</u>	<u>2,399,493</u>
TAXES RECEIVABLE - DECEMBER 31, 2018		<u>\$ 1,433,942</u>		<u>\$ 2,192,782</u>
TAXES RECEIVABLE BY YEAR:				
2018		\$ 1,400,303		\$ 2,117,531
2017		7,486		11,685
2016		11,508		20,065
2015		8,650		20,543
2014		1,182		3,629
2013		1,165		3,745
2012 and prior		<u>3,648</u>		<u>15,584</u>
TOTAL		<u>\$ 1,433,942</u>		<u>\$ 2,192,782</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPERTY VALUATIONS:				
Land	\$ 107,857,750	\$ 107,852,050	\$ 104,847,940	\$ 101,506,710
Improvements	382,688,382	375,773,961	363,474,280	333,618,820
Personal Property	32,256,440	31,283,210	29,535,100	20,274,480
Exemptions	<u>(54,676,983)</u>	<u>(54,070,908)</u>	<u>(59,141,394)</u>	<u>(68,416,104)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 468,125,589</u>	<u>\$ 460,838,313</u>	<u>\$ 438,715,926</u>	<u>\$ 386,983,906</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.62	\$ 0.64	\$ 0.68	\$ 0.76
Maintenance	<u>0.41</u>	<u>0.41</u>	<u>0.39</u>	<u>0.32</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.03</u>	<u>\$ 1.05</u>	<u>\$ 1.07</u>	<u>\$ 1.08</u>
ADJUSTED TAX LEVY*	<u>\$ 4,821,686</u>	<u>\$ 4,838,798</u>	<u>\$ 4,694,253</u>	<u>\$ 4,179,419</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>27.04 %</u>	<u>99.60 %</u>	<u>99.33 %</u>	<u>99.30 %</u>

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on August 8, 1998.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 0 9			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 160,000	\$ 16,800	\$ 176,800
2020	160,000	8,400	168,400
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 320,000</u>	<u>\$ 25,200</u>	<u>\$ 345,200</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 0			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 80,000	\$ 14,700	\$ 94,700
2020	85,000	11,340	96,340
2021	90,000	7,770	97,770
2022	95,000	3,990	98,990
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 350,000</u>	<u>\$ 37,800</u>	<u>\$ 387,800</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 1 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 415,000	\$ 104,688	\$ 519,688
2020	435,000	91,719	526,719
2021	455,000	76,494	531,494
2022	475,000	60,000	535,000
2023	500,000	41,000	541,000
2024	525,000	21,000	546,000
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 2,805,000</u>	<u>\$ 394,901</u>	<u>\$ 3,199,901</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 2 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 495,000	\$ 211,250	\$ 706,250
2020	515,000	196,400	711,400
2021	540,000	175,800	715,800
2022	565,000	154,200	719,200
2023	595,000	131,600	726,600
2024	625,000	107,800	732,800
2025	655,000	82,800	737,800
2026	690,000	56,600	746,600
2027	725,000	29,000	754,000
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 5,405,000</u>	<u>\$ 1,145,450</u>	<u>\$ 6,550,450</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 3 R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 250,000	\$ 87,637	\$ 337,637
2020	245,000	82,638	327,638
2021	240,000	75,288	315,288
2022	240,000	68,088	308,088
2023	240,000	59,688	299,688
2024	235,000	51,288	286,288
2025	235,000	43,062	278,062
2026	235,000	36,012	271,012
2027	230,000	28,962	258,962
2028	225,000	21,776	246,776
2029	225,000	14,462	239,462
2030	220,000	7,150	227,150
2031			
2032			
2033			
2034			
	<u>\$ 2,820,000</u>	<u>\$ 576,051</u>	<u>\$ 3,396,051</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 3 A R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 275,000	\$ 56,631	\$ 331,631
2020	285,000	48,382	333,382
2021	290,000	39,830	329,830
2022	300,000	31,130	331,130
2023	305,000	22,132	327,132
2024	315,000	12,600	327,600
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
	<u>\$ 1,770,000</u>	<u>\$ 210,705</u>	<u>\$ 1,980,705</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 6			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 100,000	\$ 49,113	\$ 149,113
2020	100,000	47,762	147,762
2021	100,000	46,263	146,263
2022	100,000	44,612	144,612
2023	100,000	42,913	142,913
2024	100,000	41,062	141,062
2025	100,000	39,063	139,063
2026	100,000	37,062	137,062
2027	100,000	34,813	134,813
2028	150,000	32,312	182,312
2029	150,000	28,563	178,563
2030	150,000	24,062	174,062
2031	150,000	19,563	169,563
2032	150,000	15,062	165,062
2033	150,000	10,563	160,563
2034	175,000	5,687	180,687
	<u>\$ 1,975,000</u>	<u>\$ 518,475</u>	<u>\$ 2,493,475</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 6 A R E F U N D I N G			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 270,000	\$ 260,300	\$ 530,300
2020	265,000	254,900	519,900
2021	425,000	246,950	671,950
2022	420,000	234,200	654,200
2023	515,000	221,600	736,600
2024	520,000	201,000	721,000
2025	525,000	180,200	705,200
2026	525,000	159,200	684,200
2027	530,000	138,200	668,200
2028	530,000	117,000	647,000
2029	540,000	95,800	635,800
2030	545,000	74,200	619,200
2031	550,000	52,400	602,400
2032	305,000	30,400	335,400
2033	305,000	18,200	323,200
2034	150,000	6,000	156,000
	\$ 6,920,000	\$ 2,290,550	\$ 9,210,550

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

S E R I E S - 2 0 1 7			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 165,000	\$ 67,487	\$ 232,487
2020	165,000	64,187	229,187
2021	165,000	60,887	225,887
2022	165,000	57,587	222,587
2023	165,000	54,287	219,287
2024	165,000	50,987	215,987
2025	165,000	47,481	212,481
2026	165,000	43,769	208,769
2027	165,000	39,850	204,850
2028	165,000	35,313	200,313
2029	165,000	30,363	195,363
2030	165,000	25,413	190,413
2031	165,000	20,463	185,463
2032	165,000	15,513	180,513
2033	165,000	10,563	175,563
2034	160,000	5,200	165,200
	<u>\$ 2,635,000</u>	<u>\$ 629,350</u>	<u>\$ 3,264,350</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 2,210,000	\$ 868,606	\$ 3,078,606
2020	2,255,000	805,728	3,060,728
2021	2,305,000	729,282	3,034,282
2022	2,360,000	653,807	3,013,807
2023	2,420,000	573,220	2,993,220
2024	2,485,000	485,737	2,970,737
2025	1,680,000	392,606	2,072,606
2026	1,715,000	332,643	2,047,643
2027	1,750,000	270,825	2,020,825
2028	1,070,000	206,401	1,276,401
2029	1,080,000	169,188	1,249,188
2030	1,080,000	130,825	1,210,825
2031	865,000	92,426	957,426
2032	620,000	60,975	680,975
2033	620,000	39,326	659,326
2034	485,000	16,887	501,887
	<u>\$ 25,000,000</u>	<u>\$ 5,828,482</u>	<u>\$ 30,828,482</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	Original Bonds Issued	Bonds Outstanding January 1, 2018
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Bonds - Series 2007	\$ 6,000,000	\$ 250,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Bonds - Series 2009	4,000,000	480,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Bonds - Series 2010	2,545,000	425,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Refunding Bonds - Series 2011	5,080,000	3,200,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Refunding Bonds - Series 2012	7,715,000	5,885,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Refunding Bonds - Series 2013	3,475,000	3,075,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Refunding Bonds - Series 2013A	3,360,000	2,040,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Bonds - Series 2016	2,175,000	2,075,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Refunding Bonds - Series 2016A	6,960,000	6,940,000
Fort Bend County Municipal Utility District No. 116 Unlimited Tax Bonds - Series 2017	<u>2,800,000</u>	<u>2,800,000</u>
TOTAL	<u><u>\$ 44,110,000</u></u>	<u><u>\$ 27,170,000</u></u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding December 31, 2018	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 250,000	\$ 9,750	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	160,000	25,200	320,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	75,000	18,450	350,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	395,000	116,538	2,805,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	480,000	220,850	5,405,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	255,000	92,737	2,820,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	270,000	62,031	1,770,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	100,000	50,362	1,975,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	20,000	260,700	6,920,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	165,000	74,044	2,635,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
\$ - 0 -	\$ 2,170,000	\$ 930,662	\$ 25,000,000		

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2018

Bond Authority:	<u>Tax Bonds *</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ 47,630,000	\$ 26,000,000
Amount Issued	<u>43,940,000</u>	<u>1,515,000</u>
Remaining Authorization	<u><u>\$ 3,690,000</u></u>	<u><u>\$ 24,485,000</u></u>
Debt Service Fund cash and investment balances as of December 31, 2018:		<u><u>\$ 3,229,046</u></u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 1,926,780</u></u>

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

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

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 1,858,964	\$ 1,681,968	\$ 1,229,726
Water Service	485,611	471,142	484,945
Wastewater Service	469,773	460,428	449,068
Surface Water Fee/GRP Fees	395,351	386,707	375,842
Penalty and Interest	47,466	27,404	34,006
Tap Connection and Inspection Fees	163,390	127,208	117,166
Investment Revenues	121,582	40,761	14,053
Fire Contract Revenues	321,649	315,809	299,376
City of Richmond-SPA Revenue	224,952	183,531	215,741
Miscellaneous Revenues	18,790	200,062	39,080
TOTAL REVENUES	<u>\$ 4,107,528</u>	<u>\$ 3,895,020</u>	<u>\$ 3,259,003</u>
EXPENDITURES			
Professional Fees	\$ 206,047	\$ 194,021	\$ 252,809
Contracted Services	306,258	303,272	316,166
Purchased Wastewater Service	309,003	461,708	488,899
Utilities	69,120	85,921	69,988
Repairs and Maintenance	778,257	525,663	538,173
Fire Contract Costs	268,649	268,654	267,840
Surface Water Assessment/GRP Assessment	503,749	462,607	363,669
Other	251,397	246,249	250,537
Capital Outlay	274,323	36,887	110,284
TOTAL EXPENDITURES	<u>\$ 2,966,803</u>	<u>\$ 2,584,982</u>	<u>\$ 2,658,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 1,140,725</u>	<u>\$ 1,310,038</u>	<u>\$ 600,638</u>
OTHER FINANCING SOURCES			
Transfers In	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 64,548</u>
NET CHANGE IN FUND BALANCE	\$ 1,140,725	\$ 1,310,038	\$ 665,186
BEGINNING FUND BALANCE	<u>5,728,643</u>	<u>4,418,605</u>	<u>3,753,419</u>
ENDING FUND BALANCE	<u><u>\$ 6,869,368</u></u>	<u><u>\$ 5,728,643</u></u>	<u><u>\$ 4,418,605</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 905,599	\$ 832,923	45.3 %	43.2 %	37.7 %	31.4 %	33.6 %
455,470	416,385	11.8	12.1	14.9	15.8	16.8
442,879	403,895	11.4	11.9	13.9	15.4	16.3
317,326	273,139	9.6	9.9	11.5	11.0	11.0
47,352	53,300	1.1	0.7	1.0	1.6	2.2
171,176	89,759	4.0	3.3	3.6	5.9	3.6
3,782	2,303	3.0	1.0	0.4	0.1	0.1
284,746	251,064	7.8	8.1	9.2	9.9	10.1
243,833	144,003	5.5	4.7	6.6	8.4	5.8
15,338	11,476	0.5	5.1	1.2	0.5	0.5
<u>\$ 2,887,501</u>	<u>\$ 2,478,247</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 258,740	\$ 269,266	5.0 %	5.0 %	7.8 %	9.0 %	10.9 %
314,664	308,549	7.5	7.8	9.7	10.9	12.5
521,106	409,574	7.5	11.9	15.0	18.1	16.5
69,443	69,474	1.7	2.2	2.1	2.4	2.8
302,479	288,615	18.9	13.5	16.5	10.5	11.6
266,738	255,438	6.5	6.9	8.2	9.2	10.3
307,003	227,250	12.3	11.9	11.2	10.6	9.2
300,822	252,175	6.1	6.3	7.7	10.4	10.2
15,660	11,534	6.7	0.9	3.4	0.5	0.5
<u>\$ 2,356,655</u>	<u>\$ 2,091,875</u>	<u>72.2 %</u>	<u>66.4 %</u>	<u>81.6 %</u>	<u>81.6 %</u>	<u>84.5 %</u>
<u>\$ 530,846</u>	<u>\$ 386,372</u>	<u>27.8 %</u>	<u>33.6 %</u>	<u>18.4 %</u>	<u>18.4 %</u>	<u>15.5 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 530,846	\$ 386,372					
<u>3,222,573</u>	<u>2,836,201</u>					
\$ 3,753,419	\$ 3,222,573					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 2,896,288	\$ 2,930,362	\$ 2,922,039
Penalty and Interest	27,152	33,677	32,589
Investment Revenues	50,735	29,095	12,022
Miscellaneous Revenues	<u>21,532</u>	<u>18,190</u>	<u>10,032</u>
TOTAL REVENUES	<u>\$ 2,995,707</u>	<u>\$ 3,011,324</u>	<u>\$ 2,976,682</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 85,304	\$ 70,287	\$ 80,057
Debt Service Principal	2,170,000	1,970,000	1,825,000
Debt Service Interest and Fees	936,662	916,531	972,387
Bond Issuance Costs	<u></u>	<u></u>	<u>257,976</u>
TOTAL EXPENDITURES	<u>\$ 3,191,966</u>	<u>\$ 2,956,818</u>	<u>\$ 3,135,420</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (196,259)</u>	<u>\$ 54,506</u>	<u>\$ (158,738)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Refunding Bonds	\$	\$	\$ 6,960,000
Payment to Refunding Bond Escrow Agent			(7,441,628)
Bond Premium	<u></u>	<u></u>	<u>743,576</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 261,948</u>
NET CHANGE IN FUND BALANCE	\$ (196,259)	\$ 54,506	\$ 103,210
BEGINNING FUND BALANCE	<u>2,204,009</u>	<u>2,149,503</u>	<u>2,046,293</u>
ENDING FUND BALANCE	<u>\$ 2,007,750</u>	<u>\$ 2,204,009</u>	<u>\$ 2,149,503</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,406</u>	<u>1,405</u>	<u>1,398</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,354</u>	<u>1,357</u>	<u>1,354</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014	2018	2017	2016	2015	2014
\$ 2,782,888	\$ 2,677,112	96.7 %	97.3 %	98.2 %	97.6 %	98.3 %
50,467	44,095	0.9	1.1	1.1	1.8	1.6
2,325	1,063	1.7	1.0	0.4	0.1	
13,749	2,887	0.7	0.6	0.3	0.5	0.1
<u>\$ 2,849,429</u>	<u>\$ 2,725,157</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 92,309	\$ 61,533	2.8 %	2.3 %	2.7 %	3.2 %	2.3 %
1,795,000	1,795,000	72.4	65.4	61.3	63.0	65.9
1,035,465	1,067,706	31.4	30.5	32.7	36.4	39.2
				8.7		
<u>\$ 2,922,774</u>	<u>\$ 2,924,239</u>	<u>106.6 %</u>	<u>98.2 %</u>	<u>105.4 %</u>	<u>102.6 %</u>	<u>107.4 %</u>
<u>\$ (73,345)</u>	<u>\$ (199,082)</u>	<u>(6.6) %</u>	<u>1.8 %</u>	<u>(5.4) %</u>	<u>(2.6) %</u>	<u>(7.4) %</u>
\$	\$					
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ (73,345)	\$ (199,082)					
<u>2,119,638</u>	<u>2,318,720</u>					
<u>\$ 2,046,293</u>	<u>\$ 2,119,638</u>					
<u>1,390</u>	<u>1,374</u>					
<u>1,347</u>	<u>1,339</u>					

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018**

District Mailing Address - Fort Bend County Municipal Utility District No. 116
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended December 31, 2018	Reimbursements for the year ended December 31, 2018	Title
Chad Millis	05/18 - 05/22 (Elected)	\$ 1,800	\$ 360	President
Charles K. Friday	05/16 - 05/20 (Elected)	\$ 750	\$ -0-	Vice President
Dallas Duffy	05/18 - 05/22 (Elected)	\$ 1,950	\$ 77	Assistant Vice President
Angela Wood	05/16 - 05/20 (Elected)	\$ 3,750	\$ 276	Secretary
Kafi Dalcour	05/18 - 05/22 (Elected)	\$ 6,000	\$ 538	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 1, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum extent allowed by law (TWC Section 49.060) as set by Board Resolution on July 19, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 116
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2018

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended December 31, 2018</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	07/01/03	\$ 128,860 \$ 34,023	General Counsel Bond Related
McCall Gibson Swedlund Barfoot PLLC	12/01/99	\$ 16,800 \$ 4,850	Auditor Bond Related
Municipal Accounts & Consulting, L.P.	05/01/18	\$ 19,776	Bookkeeper
FSG Information Systems, L.P.	07/31/15	\$ 8,064	Former Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/07/00	\$ 12,048	Delinquent Tax Attorney
Blackline Engineering LLC	12/31/15	\$ 188,483 \$ 18,090	Engineer Bond Related
Masterson Advisors LLC	05/01/18	\$ -0-	Financial Advisor
Hilltop Securities, Inc.	04/28/98	\$ -0-	Former Financial Advisor
Si Environmental, LLC	05/30/12	\$ 729,694	Operator
Wheeler and Associates, Inc.	10/26/99	\$ 38,336	Tax Assessor/ Collector
Mark Burton and Ghia Lewis	05/01/18	\$ -0-	Investment Officers

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN