

PECAN GROVE MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)

PRELIMINARY OFFICIAL STATEMENT
DATED: February 19, 2020

\$11,450,000*
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

TARGET PRICING: February 27, 2020

UNDERWRITER

RAYMOND JAMES

SAMCO CAPITAL



*Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 19, 2020

This Preliminary Official Statement is subject to completion and amendment. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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 THE 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 ARE **NOT** "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Underlying Rating: Moody's "A1"
See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

\$11,450,000*

**PECAN GROVE MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020**

The bonds described above (the "Bonds") are obligations solely of Pecan Grove Municipal Utility District (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Richmond or any entity other than the District.

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 all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: March 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 accrues from March 1, 2020, and is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. 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."

MATURITY SCHEDULE

Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2021	\$ 70,000	%	%		2031	\$ 505,000 (c)	%	%	
2022	620,000				2032	475,000 (c)			
2023	615,000				2033	470,000 (c)			
2024	610,000				2034	440,000 (c)			
2025	605,000				2035	410,000 (c)			
2026	575,000 (c)				2036	1,000,000 (c)			
2027	570,000 (c)				2037	990,000 (c)			
2028	545,000 (c)				2038	975,000 (c)			
2029	540,000 (c)				2039	925,000 (c)			
2030	510,000 (c)								

- (a) 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 may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from March 1, 2020, is to be added to the price.
- (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) Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, 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. Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about March 30, 2020.

RAYMOND JAMES

SAMCO CAPITAL

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an Official Statement with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027-7528 upon payment of the costs of duplication therefor.

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 (as herein defined) and thereafter only as specified in “PREPARATION OF THE OFFICIAL STATEMENT—Updating the Official Statement”.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

The Bonds are being purchased by Raymond James & Associates, Inc. and SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price collectively, of \$ _____ (representing the par amount of the Bonds of \$ _____, plus/minus a net premium/discount on the Bonds of \$ _____, less an Underwriter’s discount of \$ _____) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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.

THE DISTRICT

Description...

Pecan Grove Municipal Utility District (the “District”), a political subdivision of the State of Texas created in 1975, is located in Fort Bend County, approximately 24 miles southwest of the central business district of the City of Houston, Texas, three miles northeast of the City of Richmond (the “City”), and seven miles west of the City of Sugar Land, Texas. The District lies wholly within the City of Richmond’s extraterritorial jurisdiction and contains approximately 1,674 acres of land. See “THE DISTRICT.”

*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, the most recent of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Environmental Development Partners, LLC (the District’s “Operator”), although residents of the District were under a mandatory evacuation order from the Fort Bend Office of Emergency Management during Hurricane Harvey, there was no interruption in water or sewer service during the storm and the District’s water and sewer facilities continued to be fully operational. Further, no storm water overtopped the District’s original certified levee, but water entered the community by coming over a berm around a detention pond outside the levee system and then entered the levee system through unprotected pipes. According to reports made by residents to the District’s Operator, approximately 70 of the 4,420 homes within the District experienced flooding with reported depths ranging from one to twelve inches. Several homeowners and the District have filed separate lawsuits against the District’s former engineer for alleged engineering deficiencies, discovered during and after Hurricane Harvey, which have been corrected. The District has entered into a settlement agreement with Jones and Carter, the design engineers, for alleged engineering deficiencies related to this flooding which was related to the Plantation Section 4 and Section 5 detention pond. The District has filed suit against Jones and Carter (and other parties) for alleged design or construction deficiencies related to the erosion control system on Jones Creek, which protects the Pecan Lakes levee. See “LAWSUITS.”

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, significant damage to the District’s facilities would result in significant expense for replacement or repair of such facilities. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. See “CAPITAL IMPROVEMENT PLAN,” “INVESTMENT CONSIDERATIONS—Recent Weather Events; Hurricane Harvey.”

Status of Development...

All land in the District, consisting of approximately 1,370 acres of residential development, 30 acres of multifamily apartments (580 units), 224 acres of golf course, country club facilities and undevelopable property, 25 acres of commercial property, and 25 acres of school sites, is served by water, sanitary sewer and drainage facilities. Residential subdivisions within the boundaries of the District include Pecan Grove Plantation, The Grove, The Greens, Plantation Place, Pecan Lakes, and The Terrace at Pecan Grove. As of December 28, 2019, the District contained 4,400 occupied single-family residential connections, 21 vacant single-family residential connections, and 2 connections currently in the name of a builder. Based on the 2019 certified tax rolls of the District, the average house value is approximately \$243,884.

In addition to the residential development, the District contains a 580-unit apartment community (which is approximately 93% occupied according to property management), country club facilities including clubhouse, a 27 hole golf course, tennis courts and swimming pool, 30 commercial connections, including a day care center, a grocery store, several small shopping centers, and approximately 9 restaurants or other service establishments. The District also includes a church and two elementary schools which are not subject to taxation. The District provides out-of-District water service to a middle school and water and sewer service to a third elementary school. The District owns three parcels of land being used for park purposes. There are also multiple small parks owned by area homeowner associations. See “THE DISTRICT—Status of Development.”

THE BONDS

Description...

The \$11,450,000* Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on September 1 in each of the years 2021 through 2039, both inclusive, in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from March 1, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”

Book-Entry-Only System...

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.”

Redemption...

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. See “THE BONDS—Redemption Provisions.”

Use of Proceeds...

Proceeds from the sale of the Bonds, together with available debt service funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$10,885,000* principal amount of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$47,530,000* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING—Sources and Uses of Funds” and “FINANCIAL STATEMENT—Outstanding Bonds.”

*Preliminary; subject to change.

<i>Authority for Issuance...</i>	The Bonds are the second series of bonds issued out of an aggregate of \$5,000,000 principal amount of unlimited tax bonds authorized by the District's voters at an election on May 10, 2008 for refunding of bonds. The Bonds are issued by the District pursuant to 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, Chapter 1207 of the Texas Government 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. See "THE BONDS—Authority for Issuance" and "—Issuance of Additional Debt."
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Remaining 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, Fort Bend County, the State of Texas or any entity other than the District. See "THE BONDS—Source of Payment."
<i>Payment Record...</i>	The District has previously issued seventeen series of unlimited tax bonds and six series of unlimited tax refunding bonds, of which the District has \$58,415,000 principal amount of bonds outstanding (the "Outstanding Bonds") as of the date hereof. The District has never defaulted on the debt service payments on the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Moody's Investors Service ("Moody's") has assigned an underlying rating of "A1" to the Bonds. The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Underwriter Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."
<i>Paying Agent for the Refunded Bonds...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "PLAN OF FINANCING—Defeasance of Refunded Bonds."

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 Certified Taxable Assessed Valuation.....	\$1,108,625,276	(a)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds)	\$58,980,000*	(b)
Estimated Overlapping Debt	<u>49,673,288</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$108,653,288*	(c)
Ratio of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation	5.32%*	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	9.80%*	
Debt Service Funds Available as of January 28, 2020	\$2,382,330	(d)
Operating Funds Available as of January 28, 2020	\$8,255,711	
Capital Projects Funds Available as of January 28, 2020	\$5,585,564	(e)
2019 Debt Service Tax Rate.....	\$0.365	
2019 Maintenance Tax Rate.....	<u>0.270</u>	
2019 Total Tax Rate.....	\$0.635	
Average Annual Debt Service Requirement (2021-2040) of the Bonds and the Remaining Outstanding Bonds (“Average Requirement”).....	\$3,632,307*	(f)
Maximum Annual Debt Service Requirement (2021) of the Bonds and the Remaining Outstanding Bonds (“Maximum Requirement”).....	\$4,244,675*	(f)
Tax Rate Required to Pay Average Requirement (2021-2040) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	\$0.35*	(g)
Tax Rate Required to Pay Maximum Requirement (2021) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	\$0.41*	(g)
Status of Development as of December 28, 2019 (h):		
Single-family residential – completed and occupied.....	4,400	
Single-family residential – completed and unoccupied.....	21	
Builder.....	2	
Multi-family (580 units).....	1	
Schools.....	3	(i)
Commercial – In-District	26	
Commercial – Out-of-District	1	
Other (Irrigation, Rental, District, etc.).....	<u>31</u>	
Total	4,485	

Area of District – 1,674 acres
Estimated 2019 Population – 16,479 (j)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds and the refunding of the Refunded Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT.”
- (d) The District intends to apply approximately \$92,500* of available debt service funds towards the purpose for which the Bonds are being issued. See “PLAN OF FINANCING—Sources and Uses of Funds.” Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the 1991 Debt Service Fund.
- (e) The District is using these funds for a number of water system improvements. See “THE SYSTEM—100-Year Flood Plain.”
- (f) See “DEBT SERVICE REQUIREMENTS.”
- (g) See “TAX DATA—Tax Adequacy Debt Service.”
- (h) See “THE DISTRICT—Status of Development.”
- (i) Three of the schools are in the District and one of the schools are served by out-of-District service agreements.
- (j) Based upon 3.5 persons per occupied single-family residence and 2 persons per occupied apartment unit.

PRELIMINARY OFFICIAL STATEMENT

\$11,450,000*

PECAN GROVE MUNICIPAL UTILITY DISTRICT

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

UNLIMITED TAX REFUNDING BONDS SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Pecan Grove Municipal Utility District (the “District”) of its \$11,450,000* Unlimited Tax Refunding 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, Chapter 1207 of the Texas Government 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, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

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.

PLAN OF FINANCING

Purpose

At a bond election held within the District on May 10, 2008 (the “2008 Election”), voters of the District authorized the issuance of \$5,000,000 principal amount of unlimited tax refunding bonds. The District currently has \$58,415,000 principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT—Outstanding Bonds.”

The proceeds of the Bonds and lawfully available debt service funds, if any, are being used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2013 totaling \$10,885,000* (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$47,530,000* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL STATEMENT—Outstanding Bonds.”

*Preliminary; subject to change.

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, if any, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

Maturity Date September 1	Series 2013*
2022	\$ 550,000
2023	550,000
2024	550,000
2025	550,000
2026	525,000
2027	525,000
2028	500,000
2029	500,000
2030	475,000
2031	475,000
2032	450,000
2033	450,000
2034	425,000
2035	400,000
2036	1,000,000
2037	1,000,000
2038	1,000,000
2039	960,000
	\$ 10,885,000

Redemption Date: April 7, 2020

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, together with lawfully available debt service funds, if any, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$ _____
Plus/Minus: Net Premium/Discount on the Bonds	_____
Plus: Transfer from 1991 Debt Service Fund	_____
Total Sources of Funds.....	\$ _____

Uses of Funds:

Deposit to the Payment Account	\$ _____
Issuance Expenses and Underwriters' Discount (a).....	_____
Total Uses of Funds	\$ _____

(a) Includes municipal bond insurance premium.

Defeasance of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the “Paying Agent for the Refunded Bonds”). The Bond Resolution provides that from the proceeds of the sale of the Bonds and along with lawfully available debt service funds of the District, if any, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the “Payment Account”). By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of so deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$10,885,000* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	(a)	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service Requirements*
				Principal	Interest	Total	
2020	\$ 3,042,684		\$ 181,500	\$ -	\$ 104,836	\$ 104,836	\$ 2,966,020
2021	4,286,069		363,000	70,000	251,606	321,606	4,244,675
2022	4,269,969		913,000	620,000	250,206	870,206	4,227,175
2023	4,254,869		896,500	615,000	237,806	852,806	4,211,175
2024	4,240,569		880,000	610,000	225,506	835,506	4,196,075
2025	4,222,869		863,500	605,000	213,306	818,306	4,177,675
2026	4,168,369		822,000	575,000	201,206	776,206	4,122,575
2027	4,165,213		806,250	570,000	189,706	759,706	4,118,669
2028	4,138,088		765,500	545,000	178,306	723,306	4,095,894
2029	4,135,588		750,500	540,000	167,406	707,406	4,092,494
2030	4,099,500		709,875	510,000	156,606	666,606	4,056,231
2031	4,163,956		694,438	505,000	146,406	651,406	4,120,925
2032	4,136,594		654,000	475,000	136,306	611,306	4,093,900
2033	4,131,138		638,813	470,000	126,213	596,213	4,088,538
2034	4,147,206		598,625	440,000	115,638	555,638	4,104,219
2035	4,118,956		558,750	410,000	105,738	515,738	4,075,944
2036	2,503,306		1,144,750	1,000,000	96,000	1,096,000	2,454,556
2037	2,431,588		1,108,500	990,000	72,250	1,062,250	2,385,338
2038	2,384,431		1,072,250	975,000	47,500	1,022,500	2,334,681
2039	2,281,338		996,000	925,000	23,125	948,125	2,233,463
2040	1,211,938		-	-	-	-	1,211,938
Total	\$ 76,534,234		\$ 15,417,750	\$ 11,450,000	\$ 3,045,673	\$ 14,495,673	\$ 75,612,158

(a) Excludes the March 1, 2020 debt service payment in the amount of \$878,435.

Maximum Annual Debt Service Requirement (2021).....	\$4,244,675*
Average Annual Debt Service Requirements (2021-2040)	\$3,632,307*

*Preliminary; subject to change.

THE BONDS

Description

The Bonds will be dated and accrue interest from March 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the "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, a continuing direct annual ad valorem tax, without limit as to rate, 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"), or any entity other than the District.

Funds

In the Bond Resolution, the 1991 Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed 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 1991 Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the 1991 Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now 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

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 accrued interest on the principal amounts called for redemption 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 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 the 2008 Election, voters of the District authorized the issuance of \$5,000,000 principal amount of unlimited tax bonds for the purpose of refunding bonds. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to 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, Chapter 1207 of the Texas Government Code, the 2008 Election 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

After issuance of the Bonds, the District will have (i) \$3,955,000* principal amount of unlimited tax refunding bonds authorized but unissued for the purpose of refunding outstanding debt of the District from the 2008 Election and (ii) \$25,215,000 principal amount authorized but unissued unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities and for refunding purposes remaining from an election held within the District on November 5, 2019 (the "2019 Election"). The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS—Future Debt."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The Board has entered into fire protection services agreements with both the Pecan Grove Volunteer Fire Department and the City of Richmond. These agreements establish a mandatory monthly fee, but do not require the levy of taxes or the issuance of bonds. The TCEQ has approved such agreements and fire plan. On November 3, 2015, voters of the District approved the fire plan and a mandatory monthly fee. Residents within the Pecan Grove Volunteer Fire Department service area currently pay a mandatory monthly fee of \$11.00 per single-family connection and residents within the City's service area currently pay a mandatory monthly fee of \$12.05 per single-family connection. Before the District could issue fire-fighting 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) authorization of an amended fire plan and authorizing bonds for such purpose by the qualified voters in the District; (c) approval of the amended fire plan and issuance of bonds by the Texas Commission on Environmental Quality (the "TCEQ"); and (d) approval of bonds by the Attorney General of Texas.

*Preliminary; subject to change.

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) preparation of an updated detailed master park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the TCEQ; and (d) 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 a park plan and operates several parks from water and sewer system revenues, but has not considered calling a park bond election at this time.

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 or the Texas Legislature, 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 acquiring "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 issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional bonds could dilute the investment security of the Bonds. See "CAPITAL IMPROVEMENT PLAN."

Extraterritorial Jurisdiction

Chapters 42 and 43 of the Texas Local Government Code provide the limits of a city's extraterritorial jurisdiction ("ETJ") and the procedures for annexation. The Local Government Code provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city shall comprise the city's ETJ. The extent of a city's ETJ depends in part on the city's population, and is presently one mile for the City. All land within the District is within the ETJ of the City. Due to a charter change and election, the City is a home rule city and, as such, may annex and dissolve the District at any time, subject to restrictions in the Strategic Partnership Agreement (see below). In any event, upon annexation of the District by the City, the District would be dissolved, and all of the assets and liabilities of the District (including the Bonds) would accrue to the City. Annexation is a policy making matter within the discretion of the City, and the District makes no representation with respect to the likelihood of the annexation of the District by the City, or the ability of the City to pay principal and interest on the Bonds in such event.

Strategic Partnership Agreement with City of Richmond

On October 22, 2007, the District and the City entered into a Strategic Partnership Agreement ("SPA") for an initial term of 50 years whereby the City annexed commercial areas of the District for the limited purpose of imposing the City's sale and use tax. The City pays one-half of all its sales tax revenue for the limited purpose annexed areas to the District when received by the City from the State Comptroller of Public Accounts, who collects such tax revenue from commercial establishments in the District. The City agreed in the SPA not to annex the District for full purposes during the term of the SPA without the written consent of the Board of Directors of the District. The revenue from the SPA payments is not pledged to pay principal and interest on 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 or confirmed 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 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 of 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 are 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 a rating of "AA+" by S&P Global Ratings. 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.

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.

THE DISTRICT

General

The District is a municipal utility district created in 1975 by order of the Texas Water Rights Commission, now the Texas Commission on Environmental Quality (the “TCEQ”), and operates under the provision of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City.

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 has received approval by the TCEQ and the voters of the District to contract with the City of Richmond and the Pecan Grove Volunteer Fire Department for fire protection services in the District. The District imposes a mandatory fee for these services. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities and may also, subject to the granting of road powers by the TCEQ or the Texas Legislature and certain limitations, develop and finance roads. See “THE BONDS—Issuance of Additional Debt.”

The District is located in the Greater Houston Area, in Fort Bend County approximately 24 miles southwest of the central business district of the City of Houston, Texas, three miles northeast of the City of Richmond, and seven miles west of the City of Sugar Land, Texas. Principal access from Houston to the District from the east is provided by I-69 to its intersection with U.S. 90-A, approximately seven miles to FM 359, then north one mile to the District and from the north from State Highway 99 (the Grand Parkway) via Mason Road.

Status of Development

The District serves the Pecan Grove development, a recreation-oriented primary home development. The District contains 1,674 acres of land. All land in the District, consisting of approximately 1,370 acres of residential development, 30 acres of multifamily apartments, 224 acres of golf course, country club facilities and undevelopable property, 25 acres of commercial property, and 25 acres of school sites, is served by water, sanitary sewer and drainage facilities. Residential subdivisions within the boundaries of the District include Pecan Grove Plantation, The Grove, The Greens, Plantation Place, and Pecan Lakes. With the exception of The Terrace at Pecan Grove, all homebuilding in the District is complete. As of December 28, 2019, the District contained 4,400 occupied single-family residential connections, 21 vacant single-family residential connections, and 2 connections currently in the name of a builder. Based on the 2019 certified tax rolls of the District, the average house value is approximately \$243,884.

In addition to the residential development, the District contains a 580-unit apartment community (which is approximately 93% occupied according to property management), country club facilities including clubhouse, a 27 hole golf course, tennis courts and swimming pool, and 30 commercial connections, including a day care center, a grocery store, several small shopping centers, and approximately 9 other restaurants or service establishments. The District also includes two elementary schools and a church which are not subject to taxation by the District. The District owns three parcels of land being used for park purposes, which are not subject to taxation. There are also multiple small parks owned by area homeowner associations. The District provides out-of-District water service to a middle school and water and sewer service to a third elementary school.

Fire protection services are provided by three fire stations that are located adjacent to the District, two operated by the Pecan Grove Volunteer Fire Department and one operated by the City. The District has entered into fire protection services agreements with both the Pecan Grove Volunteer Fire Department and the City. These agreements establish a mandatory monthly fee, but do not require the levy of taxes or the issuance of bonds. The TCEQ and the District voters approved such agreements and fire plan. Residents within the Pecan Grove Volunteer Fire Department service area currently pay a mandatory monthly fee of \$11.00 per single-family connection and residents within the City’s service area currently pay a mandatory monthly fee of \$12.05 per single-family connection.

Fort Bend Independent School District (“FBISD”) has constructed an elementary school in the northern portion of the District, and Lamar Consolidated Independent School District (“LCISD”) has constructed two elementary schools within the District and one adjacent to the District. Property in the District owned by the two school districts is exempt from ad valorem taxation by the District and by other taxing jurisdictions.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held only in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Yokubaitis	President	May 2022
Stephen D. Crow	Vice President	May 2024
G.E. "Buddy" Kluppel	Secretary	May 2022
Jean Gobar	Asst. Secretary	May 2024
Charles "Chuck" D. Bertrand	Asst. Vice President	May 2024

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 September 30, 2019 have been prepared by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2019 audited financial statements.

Engineer: The District's consulting engineer is Odyssey Engineering Group, LLC (the "Engineer"). Jones and Carter, Inc. ("J&C"), the District's former engineer was terminated by a letter dated November 28, 2017, effective as of January 27, 2018. The District hired Odyssey Engineering Group, LLC on November 30, 2017. Litigation against J&C by the District is currently pending. See "LAWSUITS."

Parks Manager: The District contracts with Time and Season to manage, operate and maintain its parks.

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

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

Operator: The operator of the District's water and sewer system is Environmental Development Partners, LLC.

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

Litigation Counsel/Attorney: The District contracts with Burdine Wynne LLP regarding litigation against the parties responsible for the alleged engineering deficiencies in the retaining wall system on the Jones Creek slope.

THE SYSTEM

Regulation

According to the District Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System is required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City, Fort Bend County, and, in some instances, the TCEQ. Fort Bend County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant utilized by the District beyond the criteria existing at the time of construction of such plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the District's System is complete and has been financed from proceeds of the Outstanding Bonds and from bonds previously paid off.

Sources of Water Supply: The District is served by a surface water treatment plant ("SWTP"), three groundwater treatment plants and a remote water well. The SWTP is rated to provide 2.3 million gallons per day ("mgd") and its primary purpose is for compliance with the mandate by the Fort Bend Subsidence District (the "Subsidence District") to reduce groundwater usage. See "Fort Bend Subsidence District" below. Water Plant No. 1 consists of one 1,500 gallons per minute ("gpm") well and pump, an additional 500 gpm well, two 370,000 gallon ground storage tanks, two 20,000 gallon hydropneumatic tanks, four 950 gpm booster pumps, and other appurtenant equipment. Water Plant No. 2 consists of a 1,500 gpm well, two 426,000 gallon storage tanks, four 950 gpm booster pumps, two 20,000 gallon hydropneumatic tanks, an auxiliary engine and related appurtenances. Water Plant No. 3 consists of a 2,200 gpm well, two 542,000 gallon ground storage tanks, five 1,000 gpm booster pumps, two 20,000 gallon hydropneumatic tanks, an auxiliary engine, and other appurtenant equipment. The remote water well has capacity of 2,500 gpm. The District's five existing groundwater wells provide water capacity as needed for daily or peak demand and supplement the surface water supplied by the SWTP. A 650,000 gallon elevated storage facility is located in the northern portion of the District. The District has received approvals from the TCEQ on a change in scope and use of surplus funds application to the TCEQ to use approximately \$1,921,098 to construct various improvements and repairs to the District's water supply and production system.

According to the District Engineer, the District's water supply facilities are currently capable of serving approximately 6,500 single-family equivalent connections, with the booster pumps being the limiting factor. The District is currently serving approximately 4,475 equivalent single-family connections.

Fort Bend Subsidence District: The District is within the boundaries of 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.

To comply with these regulations, the District prepared a Groundwater Reduction Plan approved by the Subsidence District in 2008 which limits groundwater withdrawals to no more than 70% of the total annual water demand, beginning January 2014 and limits groundwater withdrawals to no more than 40% of the total annual water demand, beginning January 2025.

Such GRP was based upon the District building a SWTP to serve the District, which is operational. Additionally, the District has entered into an agreement with the Brazos River Authority ("BRA") dated February 1, 2007, which provides for the District to receive up to 3,100 acre-feet of raw surface water from the Brazos River and which expires August 31, 2057. The contract is a "take or pay" contract under which the District is obligated to pay regardless of whether it utilizes the water. The District has assigned the contract with the BRA to the Gulf Coast Water Authority ("GCWA") and has entered into an agreement with the GCWA dated January 21, 2010 whereby GCWA has agreed to take the water from the Brazos River and pump it through its canal system.

The BRA approved the assignment of this contract on January 26, 2010. Oyster Creek (part of the GCWA canal system) flows along the northern boundary of the District to a location where the District takes the water from Oyster Creek. The SWTP receives raw water from the Brazos River via flow diversion by GCWA into Oyster Creek. The GCWA contract with the District stipulates the supply and transmission of up to approximately 2.35 mgd of surface water. The District purchased an additional 700-acre feet of raw surface water from the BRA effective November 1, 2010, and that agreement expires on August 31, 2040. The District is currently negotiating a year to year lease of surplus 700-acre feet which will cover the fees due to the BRA each year under such contract.

Source of Wastewater Treatment: The District owns and operates a 1.9 million gallons per day (“gpd”) wastewater treatment plant, which has capacity to serve 5,428 equivalent single-family connections. According to the District Engineer, such capacity is sufficient, under current regulatory criteria, to serve the District at full build-out. The District is currently serving approximately 4,475 equivalent single-family connections.

100-Year Floodplain

“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 no assurance that homes built in such area will not be flooded.

A Letter of Map Revision (LOMR) was approved by Federal Emergency Management Agency (“FEMA”) on February 27, 2015 after completion of the Pecan Lakes levee and flood protection system. This LOMR revised the Flood Insurance Rate Maps for Fort Bend County dated April 2, 2014 and effectively removed the land in the District from the 100-year floodplain of the Brazos River. The District participated with the BRA in a study of the Lower Brazos River flood plan and concluded that there are higher flood elevations in the District. Additionally, Fort Bend County has commenced a study of the Brazos River watershed solely within Fort Bend County. The results of these studies could affect the elevation of the 100-year Brazos River flood plain in the future.

Drainage Improvements: The Houston area, including Fort Bend County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 52 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances.

According to the District’s Operator, although residents of the District were under a mandatory evacuation order from the Fort Bend Office of Emergency Management during Hurricane Harvey, there was no interruption in water or sewer service during Hurricane Harvey and the District’s water and sewer facilities continued to be fully operational. Further, no storm water overtopped the District’s original levee but water entered the community by coming over a berm around a detention pond outside the levee system and then entered the levee system through unprotected pipes. According to reports made by residents to the District’s Operator, approximately 70 of the 4,420 homes within the District experienced flooding with reported depths ranging from one to twelve inches. The District terminated its contract with the District engineer, Jones & Carter, Inc., and hired a new engineer, who surveyed the entire levee and drainage for improvements after the storm. The District has made improvements to the detention pond where water crested and then entered the community through unprotected pipes in the levee system, which is located outside the levee. The District has also extended the current levee around this detention pond and raised the height around the detention pond to the same height as the adjacent existing levee.

The District also has authorized the design of rehabilitation to the Jones Creek banks which revealed erosion after Hurricane Harvey. The banks of Jones Creek must be stabilized to protect the levee that protects the Pecan Lakes subdivision. The District has received a bid in the amount of \$13,998,075 and awarded the contract on September 24, 2019. The District is funding the project with a portion of the proceeds from the Series 2019A Bonds in the approximate amount of \$4,515,577, a portion of the Series 2017 Bonds in the approximate amount of \$1,381,248 a grant extension in the approximate amount of \$8,336,584 and \$574,389 in technical fees from the NCRS. See “CAPITAL IMPROVEMENT PLAN.” The District has filed suit against the design engineers. See “LAWSUITS.”

CAPITAL IMPROVEMENT PLAN

The District’s Engineer has completed a study of the District’s facilities and prepared a ten to fifteen-year Capital Improvement Plan for construction, repair, and rehabilitation of the District’s water, sanitary sewer, drainage and flood protection facilities. The District also received approval from the TCEQ to use \$1,921,098 of surplus construction funds to fund a portion of the costs of the water projects. Other water improvements projects are being funded with surplus construction funds in accordance with TCEQ rules. See “THE BONDS—Issuance of Additional Debt, “THE SYSTEM—Water, Sanitary Sewer and Drainage Facilities—Sources of Water Supply,” “TAX DATA—Maintenance Tax” and INVESTMENT CONSIDERATIONS—Future Debt.”

LAWSUITS

The District is currently in litigation against Jones & Carter, Inc. and Stanley, Spurling & Hamilton in the 458th District Court of Fort Bend County, Cause No. 19-DCV-266610. The District is currently in litigation against Jones & Carter, Inc. and Stanley, Spurling & Hamilton for alleged deficiencies in the design of the retaining wall and sheet pile system along the banks of Jones Creek, which protects the Pecan Lakes levee system. See “THE SYSTEM—100 Year Floodplain—Drainage Improvements.”

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
5/10/08	Water	\$32,000,000	\$32,000,000	\$ -0-
5/10/08	Refunding	\$ 5,000,000	\$1,045,000*	\$3,955,000*
11/04/08	Drainage and Reclamation And Refunding	\$24,300,000	\$24,300,000	\$ -0-
5/04/19	Water, Sewer And Drainage	\$33,600,000	\$8,385,000	\$25,215,000

* Includes the Bonds.

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation.....	\$1,108,625,276 (a)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds)	\$58,980,000* (b)
Ratio of Gross Direct Debt to:	
2019 Certified Taxable Assessed Valuation	5.32%*

Area of District – 1,674 acres
Estimated 2019 Population – 16,479 (c)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
 (b) After the issuance of the Bonds and the refunding of the Refunded Bonds. See “Outstanding Bonds” herein.
 (c) Estimate based on 3.5 persons per occupied home and 2 persons per occupied apartment unit.

Cash and Investment Balances (unaudited as of January 28, 2020)

General Operating Fund	Cash and Temporary Investments	\$8,255,711
Capital Projects Fund	Cash and Temporary Investments	\$5,585,564 (a)
Debt Service Fund	Cash and Temporary Investments	\$2,382,330 (b)

- (a) The District is using these funds for a number of water system and drainage improvements, all of which (except for a new administration building) are expected to be completed by year end. See “THE SYSTEM—100-Year Flood Plain.”
 (b) The District intends to apply approximately \$92,500* of available debt service funds towards the purpose for which the Bonds are being issued. See “PLAN OF FINANCING—Sources and Uses of Funds.” Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the 1991 Debt Service Fund.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. 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 following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*
2010	\$ 32,000,000	\$ 1,100,000	\$ -	\$ 1,100,000
2013	13,810,000	11,985,000	10,885,000	1,100,000
2015	3,700,000	3,300,000	-	3,300,000
2016	5,000,000	4,400,000	-	4,400,000
2017	1,790,000	1,630,000	-	1,630,000
2019 (a)	27,615,000	27,615,000	-	27,615,000
2019A	8,385,000	8,385,000	-	8,385,000
Total	\$ 92,300,000	\$ 58,415,000	\$ 10,885,000	\$ 47,530,000
The Bonds				11,450,000 *
The Bonds and Remaining Outstanding Bonds				\$ 58,980,000 *

- (a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 594,872,527	1/31/2020	1.29%	\$ 7,673,856
Lamar Consolidated Independent School District (a)...	1,177,030,000	1/31/2020	2.13%	25,070,739
Fort Bend Independent School District (a).....	1,092,173,767	1/31/2020	1.55%	16,928,693
Total Estimated Overlapping Debt.....				\$ 49,673,288
The District.....	58,980,000 *(b)		100.00%	58,980,000 *
Total Direct and Estimated Overlapping Debt.....				\$ 108,653,288 *
Ratio of Direct and Estimated Overlapping Debt to 2019 Certified Taxable Assessed Valuation.....				9.80% *

- (a) Approximately two-thirds of the District is within the boundaries of Fort Bend ISD and approximately one-third of the District is within the boundaries of Lamar CISD. These entities are not overlapping with each other.
- (b) The Bonds and the Remaining 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 (see "Estimated Overlapping Debt" above), 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 is a summary of taxes levied for the 2019 tax year by all taxing jurisdictions overlapping the District and the 2019 tax rate of 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.

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (including Drainage District).....	\$ 0.460
Lamar Consolidated Independent School District (a).....	1.320
Total Overlapping Tax Rate.....	\$ 1.780
The District	0.635
Total Tax Rate.....	\$ 2.415

- (a) Approximately two-thirds of the District is within the boundaries of Fort Bend ISD, which had a 2019 tax rate of \$1.27 per \$100 of taxable assessed valuation, and approximately one-third of the District is within the boundaries of Lamar CISD, which had a 2019 tax rate of \$1.32 per \$100 of taxable assessed valuation.

*Preliminary; subject to change.

TAX DATA

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	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of February 20, 2020 (a)	
				Amount	Percent
2015	\$ 969,145,447	\$0.640	\$ 6,202,531	\$ 6,187,775	99.76%
2016	1,031,593,181	0.625	6,447,457	6,432,879	99.77%
2017	1,073,233,946	0.615	6,600,696	6,575,494	99.62%
2018	1,103,484,803	0.615	6,786,866	6,734,498	99.23%
2019	1,108,625,276	0.635	7,039,770	6,567,601	93.29%

(a) Unaudited.

Taxes are due October 1 or when billed, and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.365	\$ 0.365	\$ 0.365	\$ 0.375	\$ 0.390
Maintenance and Operations	0.270	0.250	0.250	0.250	0.250
Total	\$ 0.635	\$ 0.615	\$ 0.615	\$ 0.625	\$ 0.640

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$0.75 per \$100 of taxable assessed valuation.

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 "Tax Rate Distribution" and "Tax Roll Information" herein.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. The Board has been authorized to levy such a maintenance tax in an amount not to exceed \$0.75 per \$100 of taxable assessed valuation. The District levied a maintenance tax for 2019 at the rate of \$0.27 per \$100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation but may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2020 tax year, the District adopted a resolution granting a \$25,000 exemption for taxpayers 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 fifteen percent (15%) of the tax to defray the costs of collection. This 15% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAX PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2017 through 2019 Certified Taxable Assessed Valuation. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2019	2018	2017
Land	\$ 188,176,810	\$ 176,141,880	\$ 175,977,890
Improvements	970,324,062	970,087,529	939,836,813
Personal Property	16,264,350	15,437,675	14,588,011
Exemptions	(66,139,946)	(58,182,281)	(57,168,768)
Total	<u>\$ 1,108,625,276</u>	<u>\$ 1,103,484,803</u>	<u>\$ 1,073,233,946</u>

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable appraised value of such property, and such property's taxable assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$1,108,625,276. This represents ownership as of January 1, 2019.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Certified Taxable Assessed Valuation</u>	<u>% of 2019 Certified Taxable Assessed Valuation</u>
Bellevue at Pecan Grove LP	Apartments	\$ 36,223,280	3.27%
Randalls Food & Drug LP	Grocery Store	6,819,810	0.62%
Pecan Grove Golf LLC	Country Club/Golf Course	5,443,740	0.49%
Centerpoint Energy Electric	Electric Utility	3,708,760	0.33%
Plantation Plaza Ltd.	Retail Strip Center	3,285,000	0.30%
Comcast of Houston LLC	Cable Utility	2,699,170	0.24%
Loretta Apts LLC	Shopping Center	2,449,102	0.22%
Centerpoint Energy Entex	Gas Utility	2,292,810	0.21%
ANJ @ 359 LLC	Retail Strip Center	2,033,290	0.18%
Individual	Residential	1,720,110	0.16%
Total		<u>\$ 66,675,072</u>	<u>6.01%</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Certified Taxable Assessed Valuation and utilize tax rates necessary to pay the District's average annual and maximum annual debt service requirements on the Bonds and the Remaining Outstanding Bonds. See "DEBT SERVICE REQUIREMENTS."

Average annual debt service requirement (2021-2040).....	\$3,632,307*
\$0.35* tax rate on the 2019 Certified Taxable Assessed Valuation of \$1,108,625,276 at a 95% collection rate produces.....	\$3,686,179*
Maximum annual debt service requirement (2021).....	\$4,244,675*
\$0.41* tax rate on the 2019 Certified Taxable Assessed Valuation of \$1,108,625,276 at a 95% collection rate produces.....	\$4,318,095*

TAX 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 Remaining 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. See "TAX DATA—Debt Service Tax and Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the tax 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 Central 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 \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran. 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 was 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

*Preliminary; subject to change.

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 of the 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. See "TAX DATA."

Freeport Goods Exemption: 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

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County 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, 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.

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

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 sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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, except as set forth herein with respect to residential homesteads. 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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 in writing 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 equal 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

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" 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 "ESTIMATED OVERLAPPING DEBT STATEMENT—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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

WATER AND SEWER OPERATIONS

General

The Bonds and the Remaining Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Remaining Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Remaining Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2015 through September 30, 2019. Reference is made to such statements and records for further and more complete information

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Revenues					
Water Service	\$ 1,208,534	\$ 1,130,760	\$ 1,123,736	\$ 1,084,564	\$ 1,115,118
Sewer Service	1,538,444	1,477,620	1,464,061	1,417,490	1,450,048
Surface Water Fees	805,043	921,312	805,534	761,058	813,571
Property Taxes	2,742,866	2,674,436	2,571,699	2,415,972	2,091,369
Penalties and Interest	67,554	65,512	54,086	66,678	75,214
Fire Protection Fees	679,823	652,925	655,350	-	-
City of Richmond Shared Revenue (a)	146,522	135,692	157,390	187,135	109,847
Water Supply	915,443	869,792	434,250	118,798	-
Tap Connection and Inspection	86,240	63,000	177,265	192,634	13,891
FEMA Grant	341,994	-	-	-	-
Miscellaneous	232,966	254,546	324,791	808,886	218,536
Investment Earnings	132,529	77,843	34,317	13,724	7,793
Total Revenues	\$ 8,897,958	\$ 8,323,438	\$ 7,802,479	\$ 7,066,939	\$ 5,895,387
Expenditures					
Professional Fees	\$ 781,476	\$ 576,119	\$ 388,147	\$ 500,709	\$ 738,859
Contracted Services	1,841,866	1,675,830	1,668,676	1,559,458	891,506
Surface Water Plant	879,641	1,249,825	1,360,432	1,058,843	1,154,406
Surface Water Transportation Costs	123,216	117,518	107,954	96,128	91,237
Repairs and Maintenance	1,529,103	1,212,107	1,800,119	1,541,526	1,395,520
Utilities	330,958	274,486	274,219	314,101	285,343
Solid Waste	674,291	646,779	617,509	590,337	586,598
Administrative	139,615	178,386	169,958	185,181	225,231
Parks and Recreation	328,458	385,827	265,077	229,707	273,251
Other	71,300	95,035	65,812	60,737	32,653
Capital Outlay	716,461	574,140	1,293,699	2,013,019	-
Total Expenditures	\$ 7,416,385	\$ 6,986,052	\$ 8,011,602	\$ 8,149,746	\$ 5,674,604
Revenues Over (Under) Expenditures	\$ 1,481,573	\$ 1,337,386	\$ (209,123)	\$ (1,082,807)	\$ 220,783
Other Sources (Interfund Transfer)	\$ -	\$ -	\$ (1,057,244)	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 5,328,641	\$ 3,991,255	\$ 5,257,622	\$ 6,340,429	\$ 6,119,646
Fund Balance (End of Year)	\$ 6,810,214	\$ 5,328,641	\$ 3,991,255	\$ 5,257,622	\$ 6,340,429

(a) Represents sales tax revenue received from the City of Richmond pursuant to the SPA. See "THE BONDS—Strategic Partnership Agreement with City of Richmond."

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City, 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" below.

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, the most recent of which was Hurricane Harvey which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the District's Operator, although residents of the District were under a mandatory evacuation order from the Fort Bend Office of Emergency Management during Hurricane Harvey, there was no interruption in water or sewer service during the storm and the District's water and sewer facilities continued to be fully operational. Further, no storm water overtopped the District's original certified levee, but water entered the community by coming over a berm around a detention pond outside the levee system and then entered the levee system through unprotected pipes. According to reports made by residents to the District's Operator, approximately 70 of the 4,420 homes within the District experienced flooding with reported depths ranging from one to twelve inches. Several homeowners and the District have filed separate lawsuits against the District's former engineer for alleged engineering deficiencies, discovered during and after Hurricane Harvey, which have been corrected. The District has filed suit against the design engineers for alleged engineering deficiencies related to the erosion control system on Jones Creek, which protects the Pecan Lakes levee. See "LAWSUITS."

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, significant damage would result in significant expense for replacement or repair of such District facilities. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. See "CAPITAL IMPROVEMENT PLAN."

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.

Future Debt

After issuance of the Bonds, the District will have (i) \$3,955,000* principal amount of unlimited tax refunding bonds authorized but unissued for the purpose of refunding outstanding debt of the District remaining from the 2008 Election and (ii) \$25,215,000 principal amount authorized but unissued unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities and for refunding purposes remaining from the 2019 Election. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "THE BONDS—Issuance of Additional Debt" and "THE SYSTEM." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ.

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 "ESTIMATED OVERLAPPING DEBT STATEMENT—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 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.

*Preliminary; subject to change.

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 TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, 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 securities, 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.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. 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 submitted all necessary documentation to the TCEQ for MS4 Permit compliance. In order to maintain its current compliance with the TCEQ under the MS4 Permit, the District continues to develop, 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. Unknown future costs associated with these compliance activities may be significant in the future. In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

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

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

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

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

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

Marketability

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations:

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider (the “Insurer”) providing the Policy 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 has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified 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 by the District, 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 Allen Boone Humphries Robinson LLP, 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 income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under PLAN OF FINANCING—Defeasance of Refunded Bonds, “THE BONDS,” “THE DISTRICT—General,” “CAPITAL IMPROVEMENT PLAN,” “LAWSUITS,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District 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 judgement 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 judgement, 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 or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

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”) may be 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.

Not Qualified Tax-Exempt Obligations

The Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned an underlying rating of “A1” to the Bonds. An explanation of the rating may be obtained from Moody’s. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

The use of insurance and the payment of an insurance premium is at the option and expense of the District. The rating fees of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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

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 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.

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

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the 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 Tax Tech, Inc. and is included herein in reliance upon the authority of such firm 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 Odyssey Engineering Group, LLC, Consulting Engineers 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 financial statements for the year ended September 30, 2019, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2019, audited financial statements.

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 Board has relied in part upon its examination of records of the District, and upon 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 STATEMENT," "TAX DATA," "WATER AND SEWER OPERATIONS" 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 2020. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles 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 report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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 within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, 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 obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15cz-1z (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an 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; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 to 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 holders 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.

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/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the year ended September 30, 2019

**PECAN GROVE MUNICIPAL
UTILITY DISTRICT**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2019

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Pecan Grove Municipal Utility District
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Pecan Grove Municipal Utility District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Pecan Grove Municipal Utility District
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major of Pecan Grove Municipal Utility District, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Houston, Texas
January 28, 2020

Management's Discussion and Analysis

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***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

Using this Annual Report

Within this section of the financial report of Pecan Grove Municipal Utility District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2019, was \$26,070,971. A comparative summary of the District's overall financial position, as of September 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 14,929,956	\$ 13,624,573
Capital assets	<u>62,868,692</u>	<u>62,948,684</u>
Total assets	<u>77,798,648</u>	<u>76,573,257</u>
Total deferred outflows of resources	<u>464,395</u>	<u> </u>
Current liabilities	3,897,327	3,176,889
Long-term liabilities	<u>48,294,745</u>	<u>48,888,714</u>
Total liabilities	<u>52,192,072</u>	<u>52,065,603</u>
Net position		
Net investment in capital assets	16,583,068	17,080,970
Restricted	2,205,738	2,027,067
Unrestricted	<u>7,282,165</u>	<u>5,399,617</u>
Total net position	<u>\$ 26,070,971</u>	<u>\$ 24,507,654</u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

The total net position of the District increased during the current fiscal year by \$1,563,317. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 6,907,146	\$ 6,710,333
Water and sewer	2,746,978	2,608,380
Other	<u>3,520,652</u>	<u>3,153,097</u>
Total revenues	<u>13,174,776</u>	<u>12,471,810</u>
Expenses		
Current service operations	7,062,485	6,654,285
Interest and fees	2,161,346	2,102,304
Debt issuance costs	827,637	
Depreciation	<u>1,959,991</u>	<u>1,950,382</u>
Total expenses	<u>12,011,459</u>	<u>10,706,971</u>
Change in net position before other item	1,163,317	1,764,839
Other item		
Settlement proceeds	<u>400,000</u>	<u> </u>
Change in net position	1,563,317	1,764,839
Net position, beginning of year	<u>24,507,654</u>	<u>22,742,815</u>
Net position, end of year	<u>\$ 26,070,971</u>	<u>\$ 24,507,654</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2019, were \$12,679,525, which consists of \$6,810,214 in the General Fund, \$2,179,585 in the Debt Service Fund, and \$3,689,726 in the Capital Projects Fund.

General Fund

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 8,894,272</u>	<u>\$ 6,442,944</u>
Total liabilities	\$ 1,612,107	\$ 1,043,327
Total deferred inflows	471,951	70,976
Total fund balance	<u>6,810,214</u>	<u>5,328,641</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 8,894,272</u>	<u>\$ 6,442,944</u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 8,897,958	\$ 8,323,438
Total expenditures	<u>(7,416,385)</u>	<u>(6,986,052)</u>
Revenues over expenditures	<u>\$ 1,481,573</u>	<u>\$ 1,337,386</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,332,445</u>	<u>\$ 2,190,172</u>
Total liabilities	\$ 688	\$ 2,988
Total deferred inflows	152,172	110,806
Total fund balance	<u>2,179,585</u>	<u>2,076,378</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,332,445</u>	<u>\$ 2,190,172</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 4,118,968	\$ 4,029,844
Total expenditures	<u>(5,099,462)</u>	<u>(4,084,789)</u>
Revenues under expenditures	(980,494)	(54,945)
Other changes in fund balance	<u>1,083,701</u>	<u></u>
Net change in fund balance	<u>\$ 103,207</u>	<u>\$ (54,945)</u>

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

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

During the current year, the District issued \$27,615,000 in refunding bonds to refund \$27,135,000 of its outstanding Series 2010 bonds. This refunding will save the District \$3,920,743 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 3,703,239</u>	<u>\$ 4,991,457</u>
Total liabilities	\$ 13,513	\$ 5,457
Total fund balance	<u>3,689,726</u>	<u>4,986,000</u>
Total liabilities and fund balance	<u>\$ 3,703,239</u>	<u>\$ 4,991,457</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 115,509	\$ 83,416
Total expenditures	<u>(1,411,783)</u>	<u>(117,962)</u>
Revenues under expenditures	<u>\$ (1,296,274)</u>	<u>\$ (34,546)</u>

The District's capital asset activity in the current year is for rehabilitation and improvement of District facilities. The District did not have any significant capital asset activity in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$1,872,471 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

*Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019*

Capital Assets

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

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	\$ 9,718,475	\$ 9,505,714
Construction in progress	<u>1,574,718</u>	<u>314,426</u>
	<u>11,293,193</u>	<u>9,820,140</u>
Capital assets being depreciated		
Infrastructure	83,759,323	83,405,527
Recreational facilities	1,340,826	1,340,826
Equipment	<u>220,527</u>	<u>167,377</u>
	<u>85,320,676</u>	<u>84,913,730</u>
Less accumulated depreciation		
Infrastructure	(32,736,931)	(30,856,525)
Recreational facilities	(903,461)	(843,047)
Equipment	<u>(104,785)</u>	<u>(85,614)</u>
	<u>(33,745,177)</u>	<u>(31,785,186)</u>
Depreciable capital assets, net	<u>51,575,499</u>	<u>53,128,544</u>
Capital assets, net	<u>\$ 62,868,692</u>	<u>\$ 62,948,684</u>

Capital asset additions during the current year include the following:

- Levee extension to serve Plantation Sections 4 and 5
- South outfall channel flap gate replacement
- Bent Creek Court flap gate
- Surge protection improvements
- Southside storm water pump station diesel tanks

The District's construction in progress is primarily for Jones Creek slope rehabilitation and lift station no. 4 rehabilitation.

***Pecan Grove Municipal Utility District
Management's Discussion and Analysis
September 30, 2019***

Long-Term Debt

At September 30, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2010	\$ 1,100,000	\$ 29,270,000
2013	11,985,000	12,535,000
2015	3,300,000	3,400,000
2016	4,400,000	4,600,000
2017	1,630,000	1,710,000
2019 Refunding	27,615,000	
	\$ 50,030,000	\$ 51,515,000

During the year, the District issued \$27,615,000 in unlimited tax refunding bonds. On May 4, 2019, the voters of the District authorized the issuance of a total of \$33,600,000 principal amount of unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities and refunding purposes. At September 30, 2019, the District had \$33,600,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding purposes and \$4,520,000 for refunding purposes.

Next Year's Budget

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

	2019 Actual	2020 Budget
Total revenues	\$ 8,897,958	\$ 8,460,522
Total expenditures	(7,416,385)	(7,818,048)
Revenues over expenditures	1,481,573	642,474
Beginning fund balance	5,328,641	6,810,214
Ending fund balance	\$ 6,810,214	\$ 7,452,688

Property Taxes

The District's property tax base increased approximately \$5,363,000 for the 2019 tax year from \$1,103,650,713 to \$1,109,014,018. This increase was primarily due to increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.27 per \$100 of assessed value and a debt service tax rate of \$0.365 per \$100 of assessed value, for a total combined tax rate of \$0.635 per \$100. Tax rates for the 2018 tax year were \$0.25 per \$100 for maintenance and operations and \$0.365 per \$100 for debt service for a combined total of \$0.615 per \$100 of assessed value.

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Basic Financial Statements

Pecan Grove Municipal Utility District
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 350,399	\$ 81,197	\$ 67,013	\$ 498,609	\$ -	\$ 498,609
Investments	5,760,952	2,113,640	4,431,808	12,306,400		12,306,400
Taxes receivable, net	61,654	152,172		213,826		213,826
Customer service receivables, net	674,034			674,034		674,034
Internal balances	810,146	(14,564)	(795,582)			
Water supply receivable	196,641			196,641		196,641
Settlement receivable	400,000			400,000		400,000
Other receivables	69,017			69,017		69,017
Prepaid items	153,398			153,398		153,398
Restricted cash	418,031			418,031		418,031
Capital assets not being depreciated					11,293,193	11,293,193
Capital assets, net					51,575,499	51,575,499
Total Assets	\$ 8,894,272	\$ 2,332,445	\$ 3,703,239	\$ 14,929,956	62,868,692	77,798,648
Deferred Outflows of Resources						
Deferred difference on refunding					464,395	464,395
Liabilities						
Accounts payable	\$ 885,774	\$ -	\$ 13,513	\$ 899,287		899,287
Other payables	10,621	688		11,309		11,309
Construction deposits	418,031			418,031		418,031
Retainage payable	20,176			20,176		20,176
Customer deposits	277,505			277,505		277,505
Accrued interest payable					126,019	126,019
Long-term debt						
Due within one year					2,145,000	2,145,000
Due after one year					48,294,745	48,294,745
Total Liabilities	1,612,107	688	13,513	1,626,308	50,565,764	52,192,072
Deferred Inflows of Resources						
Deferred property taxes	61,654	152,172		213,826	(213,826)	
Deferred shared revenues	10,297			10,297	(10,297)	
Deferred settlement proceeds	400,000			400,000	(400,000)	
Total Deferred Inflows of Resources	471,951	152,172		624,123	(624,123)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	153,398			153,398	(153,398)	
Restricted		2,179,585	3,689,726	5,869,311	(5,869,311)	
Unassigned	6,656,816			6,656,816	(6,656,816)	
Total Fund Balances	6,810,214	2,179,585	3,689,726	12,679,525	(12,679,525)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,894,272	\$ 2,332,445	\$ 3,703,239	\$ 14,929,956		
Net Position						
Net investment in capital assets					16,583,068	16,583,068
Restricted for debt service					2,205,738	2,205,738
Unrestricted					7,282,165	7,282,165
Total Net Position					\$26,070,971	\$26,070,971

See notes to basic financial statements.

Pecan Grove Municipal Utility District

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

For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 1,208,534	\$ -	\$ -	\$ 1,208,534	\$ -	\$ 1,208,534
Sewer service	1,538,444			1,538,444		1,538,444
Surface water fees	805,043			805,043		805,043
Property taxes	2,742,866	3,997,829		6,740,695	40,067	6,780,762
Penalties and interest	67,554	41,495		109,049	17,335	126,384
Fire protection fees	679,823			679,823		679,823
City of Richmond shared revenues	146,522			146,522	(15,061)	131,461
Water supply	915,443			915,443		915,443
Tap connection and inspection	86,240			86,240		86,240
FEMA grants	341,994			341,994		341,994
Miscellaneous	232,966	45		233,011		233,011
Investment earnings	132,529	79,599	115,509	327,637		327,637
Total Revenues	8,897,958	4,118,968	115,509	13,132,435	42,341	13,174,776
Expenditures/Expenses						
Current service operations						
Professional fees	781,476	7,656	239,170	1,028,302		1,028,302
Contracted services	1,841,866	105,701		1,947,567		1,947,567
Surface water plant	879,641			879,641		879,641
Surface water transportation costs	123,216			123,216		123,216
Repairs and maintenance	1,529,103			1,529,103		1,529,103
Utilities	330,958			330,958		330,958
Solid waste	674,291			674,291		674,291
Administrative	139,615	9,717		149,332		149,332
Parks and recreation	328,458			328,458		328,458
Other	71,300	126	191	71,617		71,617
Capital outlay	716,461		1,163,537	1,879,998	(1,879,998)	
Debt service						
Principal		1,965,000		1,965,000	(1,965,000)	
Interest and fees		2,192,510		2,192,510	(31,164)	2,161,346
Debt issuance costs		818,752	8,885	827,637		827,637
Depreciation					1,959,991	1,959,991
Total Expenditures/Expenses	7,416,385	5,099,462	1,411,783	13,927,630	(1,916,171)	12,011,459
Revenues Over/(Under)						
Expenditures	1,481,573	(980,494)	(1,296,274)	(795,195)	1,958,512	1,163,317
Other Financing Sources/(Uses)						
Proceeds from sale of refunding bonds		27,615,000		27,615,000	(27,615,000)	
Bond premium		469,749		469,749	(469,749)	
Payment to refunded bond escrow agent		(27,001,048)		(27,001,048)	27,001,048	
Other Item						
Settlement proceeds					400,000	400,000
Net Change in Fund Balances	1,481,573	103,207	(1,296,274)	288,506	(288,506)	
Change in Net Position					1,563,317	1,563,317
Fund Balance/Net Position						
Beginning of the year	5,328,641	2,076,378	4,986,000	12,391,019	12,116,635	24,507,654
End of year	\$ 6,810,214	\$ 2,179,585	\$ 3,689,726	\$ 12,679,525	\$ 13,391,446	\$26,070,971

See notes to basic financial statements.

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***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019***

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pecan Grove Municipal Utility District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated June 27, 1975, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 20, 1976 and the first bonds were issued on September 27, 1979. The District changed its name to Pecan Grove Municipal Utility District on June 25, 1981.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019*

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, allowances of \$2,304 and \$11,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Unbilled Service Revenues

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

Interfund Activity

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

Capital Assets

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

*Pecan Grove Municipal Utility District
 Notes to Basic Financial Statements
 September 30, 2019*

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Recreational facilities	15-20 years
Equipment	5-20 years

The District’s levee system, detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 12,679,525
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 96,613,869	
Less accumulated depreciation	<u>(33,745,177)</u>	
Change due to capital assets		62,868,692
The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.		464,395
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(50,439,745)	
Interest payable on bonds	<u>(126,019)</u>	
Change due to long-term debt		(50,565,764)
Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.		
Deferred property taxes	213,826	
Deferred shared revenues	10,297	
Deferred settlement proceeds	<u>400,000</u>	
Change due to deferred revenues		624,123
Total net position - governmental activities		<u><u>\$ 26,070,971</u></u>

***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019***

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

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

Net change in fund balances - total governmental funds \$ 288,506

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest and sales tax revenues. 42,341

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

Capital outlays	\$ 1,879,998	
Depreciation expense	(1,959,991)	
	<u> </u>	(79,993)

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

Issuance of long term debt	(27,615,000)	
Payment to refunded bond escrow agent	27,001,048	
Bond premium	(469,749)	
Principal payments	1,965,000	
Interest expense accrual	31,164	
	<u> </u>	912,463

Settlement proceeds receivable from Jones & Carter (Note 14) do not meet the availability criteria required for revenue recognition in the fund financial statements. However, in the *Statement of Activities* this amount is recognized when realizable. 400,000

Change in net position of governmental activities \$ 1,563,317

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Restricted Cash

During the fiscal year, the District entered into an agreement with Fort Bend County Municipal Utility District No. 134E ("MUD 134E") for the construction of a drainage swale. The amounts received from MUD 134E are restricted for use in the construction of the project. As of September 30, 2019, the District's total amount of restricted cash related to this agreement was \$418,031. See Note 10 for additional information.

Investments

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

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

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019*

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of September 30, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	General	<u>\$ 1,207,341</u>	10%	N/A	N/A
TexPool	General	1,902,644			
	Debt Service	232,923			
	Capital Projects	<u>1,338,432</u>			
		<u>3,473,999</u>	28%	AAA	34 days
Texas CLASS	General	2,650,967			
	Debt Service	1,880,717			
	Capital Projects	<u>3,093,376</u>			
		<u>7,625,060</u>	62%	AAA	50 days
Total		<u>\$ 12,306,400</u>	<u>100%</u>		

The District’s investments in certificates of deposit are reported at cost.

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

*Pecan Grove Municipal Utility District
 Notes to Basic Financial Statements
 September 30, 2019*

Note 3 – Deposits and Investments (continued)

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and Wells Fargo Bank as the custodian.

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 17,948	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	795,582	Bond application fees and capital outlay paid by the General Fund
Debt Service Fund	General Fund	3,384	Proceeds from the sale of refunding bonds in excess of bond application fees paid by the General Fund

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

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019

Note 5 – Capital Assets

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

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated				
Land and easements	\$ 9,505,714	\$ 212,761		\$ 9,718,475
Construction in progress	314,426	1,387,205	(126,913)	1,574,718
	<u>9,820,140</u>	<u>1,599,966</u>	<u>(126,913)</u>	<u>11,293,193</u>
Capital assets being depreciated				
Infrastructure	83,405,527	353,796		83,759,323
Recreational facilities	1,340,826			1,340,826
Equipment	167,377	53,150		220,527
	<u>84,913,730</u>	<u>406,946</u>		<u>85,320,676</u>
Less accumulated depreciation				
Infrastructure	(30,856,525)	(1,880,406)		(32,736,931)
Recreational facilities	(843,047)	(60,414)		(903,461)
Equipment	(85,614)	(19,171)		(104,785)
	<u>(31,785,186)</u>	<u>(1,959,991)</u>		<u>(33,745,177)</u>
Subtotal depreciable capital assets, net	<u>53,128,544</u>	<u>(1,553,045)</u>		<u>51,575,499</u>
Capital assets, net	<u>\$62,948,684</u>	<u>\$ 46,921</u>	<u>\$ (126,913)</u>	<u>\$62,868,692</u>

Depreciation expenses for the current year was \$1,959,991.

The District has contractual commitments for construction projects as follows:

	Contract Amount	Amounts Paid	Remaining Commitment
Jones Creek rehabilitation	\$ 13,998,075	\$ -	\$ 13,998,075
Victoria Garden Drive drainage improvements	239,744		239,744
Lift station no. 4 rehabilitation	201,760	181,584	20,176
Lift station no. 7 rehabilitation	385,000		385,000
Raw water tank improvements	373,700		373,700
Levee drainage improvements around Harvest Green - Phase 2	372,566		372,566
Main channel rehabilitation	168,025		168,025
Rehabilitation of storm culverts at Mayweather Drive	274,775		274,775
	<u>\$ 16,013,645</u>	<u>\$ 181,584</u>	<u>\$ 15,832,061</u>

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019*

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 50,030,000
Unamortized discounts	(32,372)
Unamortized premium	442,117
	<u>\$ 50,439,745</u>
 Due within one year	 <u>\$ 2,145,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 1,100,000	\$32,000,000	4.0% - 5.75%	September 1, 2013/2035	March 1, September 1	September 1, 2019
2013	11,985,000	13,810,000	3.0% - 3.75%	September 1, 2014/2039	March 1, September 1	September 1, 2019
2015	3,300,000	3,700,000	2.0% - 3.75%	September 1, 2016/2040	March 1, September 1	September 1, 2022
2016	4,400,000	5,000,000	2.0% - 3.25%	September 1, 2017/2040	March 1, September 1	September 1, 2022
2017	1,630,000	1,790,000	2.0% - 4.0%	September 1, 2018/2040	March 1, September 1	September 1, 2024
2019 Refunding	27,615,000	27,615,000	2.125% - 4.0%	September 1, 2020/2035	March 1, September 1	September 1, 2025
	<u>\$ 50,030,000</u>					

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

On May 4, 2019, the voters of the District authorized the issuance of a total of \$33,600,000 principal amount of unlimited tax bonds for the purposes of improving water, sanitary sewer and drainage facilities. At September 30, 2019, the District had authorized but unissued bonds in the amount of \$33,600,000 for water, sewer and drainage facilities and refunding purposes and \$4,520,000 for refunding purposes.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019

Note 6 – Long-Term Debt (continued)

On June 5, 2019, the District issued its \$27,615,000 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.076669% to refund \$27,135,000 of outstanding Series 2010 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$3,920,743 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$3,052,320. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 1, 2019, the redemption date of the bonds. As of September 30, 2019, the bonds have all been redeemed and are no longer outstanding.

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

Bonds payable, beginning of year	\$ 51,515,000
Bonds issued	27,615,000
Bonds retired	(1,965,000)
Bonds refunded	<u>(27,135,000)</u>
Bonds payable, end of year	<u><u>\$ 50,030,000</u></u>

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019*

Note 6 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2020	\$ 2,145,000	\$ 1,564,376	\$ 3,709,376
2021	2,215,000	1,490,075	3,705,075
2022	2,290,000	1,412,976	3,702,976
2023	2,370,000	1,331,875	3,701,875
2024	2,455,000	1,246,576	3,701,576
2025	2,540,000	1,157,875	3,697,875
2026	2,590,000	1,067,376	3,657,376
2027	2,655,000	1,006,219	3,661,219
2028	2,700,000	941,095	3,641,095
2029	2,775,000	870,594	3,645,594
2030	2,820,000	796,945	3,616,945
2031	2,895,000	719,275	3,614,275
2032	2,960,000	636,475	3,596,475
2033	3,055,000	546,111	3,601,111
2034	3,125,000	452,275	3,577,275
2035	3,205,000	355,899	3,560,899
2036	1,650,000	257,125	1,907,125
2037	1,650,000	199,187	1,849,187
2038	1,675,000	140,812	1,815,812
2039	1,635,000	81,499	1,716,499
2040	625,000	21,812	646,812
	<u>\$ 50,030,000</u>	<u>\$ 16,296,452</u>	<u>\$ 66,326,452</u>

Note 7 – Property Taxes

On May 4, 2019, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.75 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019***

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.615 per \$100 of assessed value, of which \$0.25 was allocated to maintenance and operations and \$0.365 was allocated to debt service. The resulting tax levy was \$6,787,452 on the adjusted taxable value of \$1,103,650,713.

Net property taxes receivable, at September 30, 2019, consisted of the following:

Current year taxes receivable	\$ 66,827
Prior years taxes receivable	88,220
Less allowance for uncollectible accounts	<u>(2,304)</u>
	152,743
Penalty and interest receivable	<u>61,083</u>
Net property taxes receivable	<u><u>\$ 213,826</u></u>

Note 8 – Strategic Partnership Agreement

On October 22, 2007, the District and the City of Richmond (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”) under which the City annexed a tract of land within the boundaries of the District for limited purposes of levying sales and use tax on commercial activities within such tract. The District continues to exercise all powers and functions of a municipal utility district as provided by law with respect to the tract. As consideration for the District providing services as detailed in the Agreement, the City agreed to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payment by the City, the District agreed to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agreed it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 50 years. During the current year, the District recorded \$131,461 in revenues related to the Agreement.

Note 9 – Lease Agreement for Water Supply Capacity

On December 16, 2014, the District entered into a lease agreement with Grand Parkway 1358 L.P. on behalf of Fort Bend County Municipal Utility District No. 134D (“MUD 134D”) and Fort Bend County Municipal Utility District No. 134E (“MUD 134E”) whereby the District agrees to temporarily lease excess capacity in its system to serve MUD 134D and MUD 134E with water for up to 2,100 equivalent single family connections. This agreement was subsequently assigned to MUD 134D and MUD 134E. The initial term of the agreement is three years from the date the first connection is made, which may be extended in three year increments.

*Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019*

Note 9 – Lease Agreement for Water Supply Capacity (continued)

Pursuant to the term of agreement, MUD 134D paid a reservation fee of \$5,000 per month until the first permanent connection was made. At which time, MUD 134D began paying its pro rata share of the costs of certain portions of the District’s water supply system. The agreement also provides that, on the twelfth month after the first permanent connection to the District’s system, 134D will be required to pay the District a monthly capital fee. During the current fiscal year, the District recognized \$915,443 in revenues for monthly operation and maintenance costs.

Note 10 – Drainage Swale Regrading Agreement

On October 31, 2018, the District and MUD 134E entered into an agreement for the construction of a drainage swale along a common boundary to collect storm water runoff and convey it to storm sewers and drainage facilities, some of which are to be constructed in MUD 134E. MUD 134E agreed to fund the project entirely. As of September 30, 2019, the District has restricted cash in the amount of \$418,031, which consists of advances from MUD 134E for the construction of the project. Upon completion of construction of the project, any remaining funds will be reimbursed to MUD 134E or, if there is a deficit, the District will bill MUD 134E for that balance. The agreement is for a 40-year term.

The District will be solely responsible for the maintenance of the drainage swale. Mowing costs are to be shared equally between the District and MUD 134E.

Note 11 – Emergency Water Supply Agreement

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

Note 12 – Fire Protection Agreements

On April 15, 2015, the District entered into an agreement with Pecan Grove Volunteer Fire Department (“PGVFD”). As part of the agreement, PGVFD will provide fire and rescue services to certain areas within the District in return for a payment of monthly fire protection fees. The District shall pay PGVFD \$11.00 per month for each ESFC plus an administrative fee of \$300 per month. The agreement is effective fifteen years from the effective date of November 15, 2015 and automatically renew for successive one year terms. Either party may terminate the agreement by giving 120 days written notice.

***Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019***

Note 12 – Fire Protection Agreements (continued)

On April 24, 2015, the District entered into a Fire Protection Agreement with the City. The City has agreed to provide fire protection services to certain residential and commercial properties within the District in return for payment of monthly fire protection fees. The District shall pay the City \$11.85, after CPI adjustments, per month for each residential and commercial connection, plus an administrative fee of \$287 per month. The Fire Protection Agreement with the City may be cancelled, by either party, after the term of 10 years from the effective date of November 15, 2015, with at least one year's written notice.

During the current fiscal year, the District paid \$608,088 to PGVFD and \$62,397 to the City for fire protection services while collecting \$679,823 from customers within the District

Note 13 – Raw Surface Water Agreements

The District has entered into an agreement with the Brazos River Authority (“BRA”) dated February 12, 2007, which provides for the District to receive up to 3,100 acre feet of raw surface water from the Brazos River. The agreement, which expires August 31, 2057, is a take or pay agreement under which the District is obligated to pay regardless of whether it utilizes the water. In January 2010, the District assigned its rights under the agreement to the Gulf Coast Water Authority (“GCWA”), but retained the obligation to pay the annual reservation fee. The District also entered into an agreement with the GCWA dated January 21, 2010 whereby GCWA has agreed to take the water from the Brazos River and pump it through its canal system. The GCWA agreement with the District stipulates that the GCWA will supply up to 2.35 million gallons per day of surface water, for which the District agrees to pay a monthly fee as established by the GCWA.

The annual fee to be charged by GCWA for the 3,100 acre feet is the same rate charged by BRA. During the year, the District recognized expenditures of \$123,216 for monthly water supply

The District entered into a second agreement with the BRA for an additional 700 acre feet effective November 1, 2010. This agreement is also on a take or pay basis and expires on August 31, 2040. The District makes an annual payment to the BRA for the 700 acre feet at the rate established by the BRA. During the current fiscal year, the District recognized expenditures of \$291,994 for raw surface water.

Note 14 - Settlement Agreement

On June 20, 2018, the District filed a lawsuit against Jones & Carter, Inc. related to damages allegedly caused by the design and construction of a drainage improvement project within the District. On December 23, 2019, the District and Jones & Carter entered into a settlement agreement and full release of any and all actual or potential claims related to the project. In consideration for the release, Jones & Carter agreed to pay the District \$400,000. This amount is recognized as a receivable on the *Statement of Net Position* and an other item the *Statement of Activities*.

Pecan Grove Municipal Utility District
Notes to Basic Financial Statements
September 30, 2019

Note 15 – Risk Management

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

Note 16 – Subsequent Event

On October 24, 2019, the District issued its \$8,385,000 Series 2019A Unlimited Tax Bonds at a net effective rate of 2.687066%. Proceeds from the bonds will be used to finance construction costs and infrastructure improvements in the District.

On January 23, 2020, the TCEQ approved the use of \$1,157,940 in surplus funds from Series 2010 bonds to fund infrastructure improvements in the District.

Required Supplementary Information

*Pecan Grove Municipal Utility District
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 1,225,572	\$ 1,225,572	\$ 1,208,534	\$ (17,038)
Sewer service	1,650,000	1,650,000	1,538,444	(111,556)
Surface water fees	905,000	905,000	805,043	(99,957)
Property taxes	2,708,516	2,708,516	2,742,866	34,350
Penalties and interest	60,000	60,000	67,554	7,554
Fire protection fees	685,000	685,000	679,823	(5,177)
City of Richmond shared revenues	140,000	140,000	146,522	6,522
Water supply	168,750	168,750	915,443	746,693
Tap connection and inspection			86,240	86,240
FEMA grants		336,122	341,994	5,872
Miscellaneous	235,960	235,960	232,966	(2,994)
Investment earnings	75,600	75,600	132,529	56,929
Total Revenues	7,854,398	8,190,520	8,897,958	707,438
Expenditures				
Current service operations				
Professional fees	1,116,500	1,111,500	781,476	330,024
Contracted services	1,651,398	1,698,318	1,841,866	(143,548)
Surface water fees	1,377,720	1,501,320	879,641	621,679
Surface water transportation costs	110,000	122,400	123,216	(816)
Repairs and maintenance	1,344,500	1,888,400	1,529,103	359,297
Utilities	300,000	300,000	330,958	(30,958)
Solid waste	666,000	666,000	674,291	(8,291)
Administrative	176,830	252,630	139,615	113,015
Parks and recreation	300,000	300,000	328,458	(28,458)
Other	77,850	97,850	71,300	26,550
Capital outlay	571,000	643,000	716,461	(73,461)
Total Expenditures	7,691,798	8,581,418	7,416,385	1,165,033
Revenues Over (Under) Expenditures	162,600	(390,898)	1,481,573	1,872,471
Fund Balance				
Beginning of the year	5,328,641	5,328,641	5,328,641	
End of the year	\$ 5,491,241	\$ 4,937,743	\$ 6,810,214	\$ 1,872,471

Pecan Grove Municipal Utility District
Notes to Required Supplementary Information
September 30, 2019

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Pecan Grove Municipal Utility District

TSI-1. Services and Rates

September 30, 2019

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

- Retail Water Wholesale Water Solid Waste / Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconn)
 Other (Specify): Water via emergency interconnect and lease to MUD 134D

2. Retail Service Providers

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

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 12.00	N/A	N	\$ 1.00	6,001 to 10,000
				\$ 2.00	10,001 to 15,000
				\$ 2.50	15,001 to 20,000
				\$ 3.00	20,001 to 30,000
				\$ 3.50	30,000 to no limit
Wastewater:	\$ 27.72	N/A	Y		
Surcharge:					to

District employs winter averaging for wastewater usage Yes No

Total charges per 10,000 gallons usage: Water \$ 16.00 Wastewater \$ 27.72

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	4,220	4,197	x 1.0	4,197
1"	282	282	x 2.5	705
1.5"	13	12	x 5.0	60
2"	29	29	x 8.0	232
3"	6	6	x 15.0	90
4"	2	2	x 25.0	50
6"	1	1	x 50.0	50
8"	1	1	x 80.0	80
10"			x 115.0	
Total Water	4,554	4,530		5,464
Total Wastewater	4,455	4,434	x 1.0	4,434

See accompanying auditor's report.

Pecan Grove Municipal Utility District
TSI-1. Services and Rates
September 30, 2019

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

Gallons pumped into system:	<u>787,395,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>759,988,000</u>	(Gallons billed / Gallons pumped)
		<u>96.52%</u>
Gallons sold to FB MUD 134D:	<u>188,594,000</u>	

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Richmond

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

If Yes, by whom? _____

See accompanying auditors' report.

***Pecan Grove Municipal Utility District
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2019***

Professional fees		
Legal	\$	390,224
Audit		20,500
Engineering		370,752
		<u>781,476</u>
Contracted services		
Bookkeeping		92,828
Operator		784,134
Fire protection		670,485
Security		263,058
Tap connection and inspection		31,361
		<u>1,841,866</u>
Surface water plant		<u>879,641</u>
Water transportation costs		<u>123,216</u>
Repairs and maintenance		<u>1,529,103</u>
Utilities		<u>330,958</u>
Solid waste		<u>674,291</u>
Administrative		
Directors fees		19,950
Printing and office supplies		49,221
Insurance		24,224
Other		46,220
		<u>139,615</u>
Parks and recreation		<u>328,458</u>
Other		<u>71,300</u>
Capital outlay		<u>716,461</u>
Total expenditures	\$	<u><u>7,416,385</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	4,008,037 kWh	\$ 328,175
Natural Gas	1,008 CCF	1,284

See accompanying auditors' report.

*Pecan Grove Municipal Utility District
TSI-3. Investments
September 30, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
General				
Certificate of deposit	2.55%	11/29/19	\$ 243,494	\$ 2,075
Certificate of deposit	2.50%	12/29/19	243,847	1,537
Certificate of deposit	2.75%	07/30/20	240,000	1,121
Certificate of deposit	2.50%	10/25/19	240,000	5,951
Certificate of deposit	2.40%	10/25/19	240,000	5,712
TexPool	Variable	N/A	1,902,644	
Texas Class	Variable	N/A	2,650,967	
			<u>5,760,952</u>	<u>16,396</u>
Debt Service				
TexPool	Variable	N/A	232,923	
Texas CLASS	Variable	N/A	1,880,717	
			<u>2,113,640</u>	
Capital Projects				
TexPool	Variable	N/A	1,338,432	
Texas CLASS	Variable	N/A	3,093,376	
			<u>4,431,808</u>	
Total - All Funds			<u>\$ 12,306,400</u>	<u>\$ 16,396</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-4. Taxes Levied and Receivable
September 30, 2019

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 45,618	\$ 67,058	\$ 112,676	
Adjustments to Prior Year Tax Levy	(2,989)	(3,700)	(6,689)	
Adjusted Receivable	42,629	63,358	105,987	
2018 Original Tax Levy	2,749,918	4,014,880	6,764,798	
Adjustments	9,209	13,445	22,654	
Adjusted Tax Levy	2,759,127	4,028,325	6,787,452	
Total to be accounted for	2,801,756	4,091,683	6,893,439	
Tax collections:				
Current year	2,731,961	3,988,664	6,720,625	
Prior years	8,141	11,930	20,071	
Total Collections	2,740,102	4,000,594	6,740,696	
Taxes Receivable, End of Year	\$ 61,654	\$ 91,089	\$ 152,743	
Taxes Receivable, By Years				
2018	\$ 27,166	\$ 39,661	\$ 66,827	
2017	12,057	17,604	29,661	
2016	6,614	9,922	16,536	
2015 and prior	15,817	23,902	39,719	
Taxes Receivable, End of Year	\$ 61,654	\$ 91,089	\$ 152,743	
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 176,141,880	\$ 175,977,890	\$ 176,346,990	\$ 173,093,090
Improvements	970,064,939	939,836,813	895,584,593	832,870,825
Personal Property	15,443,685	14,594,021	14,996,320	13,219,370
Exemptions	(57,999,791)	(57,073,278)	(55,334,722)	(50,037,838)
Total Property Valuations	\$1,103,650,713	\$1,073,335,446	\$1,031,593,181	\$ 969,145,447
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.250	\$ 0.250	\$ 0.250	\$ 0.25
Debt service tax rates	0.365	0.365	0.375	0.39
Total Tax Rates per \$100 Valuation	\$ 0.615	\$ 0.615	\$ 0.625	\$ 0.64
Adjusted Tax Levy:	\$ 6,787,452	\$ 6,601,013	\$ 6,447,457	\$ 6,202,531
Percentage of Taxes Collected to Taxes Levied **	99.02%	99.55%	99.74%	99.76%

* Maximum Maintenance Tax Rate Approved by Voters: \$0.75 on 5/4/2019

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

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
September 30, 2019

<u>Due During Fiscal</u> <u>Years Ending</u>	<u>Principal Due</u> <u>September 1</u>	<u>Interest Due</u> <u>March 1,</u> <u>September 1</u>	<u>Total</u>
2020	\$ 1,100,000	\$ 44,000	\$ 1,144,000

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 550,000	\$ 396,000	\$ 946,000
2021	550,000	379,500	929,500
2022	550,000	363,000	913,000
2023	550,000	346,500	896,500
2024	550,000	330,000	880,000
2025	550,000	313,500	863,500
2026	525,000	297,000	822,000
2027	525,000	281,250	806,250
2028	500,000	265,500	765,500
2029	500,000	250,500	750,500
2030	475,000	234,875	709,875
2031	475,000	219,438	694,438
2032	450,000	204,000	654,000
2033	450,000	188,812	638,812
2034	425,000	173,625	598,625
2035	400,000	158,750	558,750
2036	1,000,000	144,750	1,144,750
2037	1,000,000	108,500	1,108,500
2038	1,000,000	72,250	1,072,250
2039	960,000	36,000	996,000
	<u>\$ 11,985,000</u>	<u>\$ 4,763,750</u>	<u>\$ 16,748,750</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 100,000	\$ 111,188	\$ 211,188
2021	100,000	109,187	209,187
2022	100,000	107,188	207,188
2023	100,000	105,187	205,187
2024	100,000	102,188	202,188
2025	100,000	99,187	199,187
2026	100,000	96,188	196,188
2027	100,000	93,187	193,187
2028	100,000	90,188	190,188
2029	100,000	87,187	187,187
2030	100,000	83,938	183,938
2031	100,000	80,687	180,687
2032	100,000	77,313	177,313
2033	100,000	73,937	173,937
2034	100,000	70,438	170,438
2035	100,000	66,937	166,937
2036	350,000	63,313	413,313
2037	350,000	50,625	400,625
2038	350,000	37,500	387,500
2039	350,000	24,375	374,375
2040	300,000	11,250	311,250
	<u>\$ 3,300,000</u>	<u>\$ 1,641,188</u>	<u>\$ 4,941,188</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 200,000	\$ 119,250	\$ 319,250
2021	200,000	115,250	315,250
2022	200,000	111,250	311,250
2023	200,000	106,250	306,250
2024	200,000	101,250	301,250
2025	200,000	96,250	296,250
2026	200,000	91,250	291,250
2027	200,000	86,250	286,250
2028	200,000	81,250	281,250
2029	200,000	76,250	276,250
2030	200,000	71,250	271,250
2031	200,000	66,250	266,250
2032	200,000	60,750	260,750
2033	200,000	55,250	255,250
2034	200,000	49,250	249,250
2035	200,000	43,250	243,250
2036	225,000	37,250	262,250
2037	225,000	30,500	255,500
2038	250,000	23,750	273,750
2039	250,000	16,250	266,250
2040	250,000	8,125	258,125
	<u>\$ 4,400,000</u>	<u>\$ 1,446,375</u>	<u>\$ 5,846,375</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 80,000	\$ 51,063	\$ 131,063
2021	80,000	47,863	127,863
2022	80,000	44,663	124,663
2023	80,000	41,463	121,463
2024	80,000	38,263	118,263
2025	80,000	35,063	115,063
2026	80,000	33,463	113,463
2027	80,000	31,863	111,863
2028	80,000	29,863	109,863
2029	80,000	27,863	107,863
2030	80,000	25,463	105,463
2031	75,000	23,062	98,062
2032	75,000	20,812	95,812
2033	75,000	18,562	93,562
2034	75,000	16,312	91,312
2035	75,000	14,062	89,062
2036	75,000	11,812	86,812
2037	75,000	9,562	84,562
2038	75,000	7,312	82,312
2039	75,000	4,874	79,874
2040	75,000	2,437	77,437
	<u>\$ 1,630,000</u>	<u>\$ 535,700</u>	<u>\$ 2,165,700</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 115,000	\$ 842,875	\$ 957,875
2021	1,285,000	838,275	2,123,275
2022	1,360,000	786,875	2,146,875
2023	1,440,000	732,475	2,172,475
2024	1,525,000	674,875	2,199,875
2025	1,610,000	613,875	2,223,875
2026	1,685,000	549,475	2,234,475
2027	1,750,000	513,669	2,263,669
2028	1,820,000	474,294	2,294,294
2029	1,895,000	428,794	2,323,794
2030	1,965,000	381,419	2,346,419
2031	2,045,000	329,838	2,374,838
2032	2,135,000	273,600	2,408,600
2033	2,230,000	209,550	2,439,550
2034	2,325,000	142,650	2,467,650
2035	2,430,000	72,900	2,502,900
	<u>\$ 27,615,000</u>	<u>\$ 7,865,439</u>	<u>\$ 35,480,439</u>

See accompanying auditors' report.

Pecan Grove Municipal Utility District
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 2,145,000	\$ 1,564,376	\$ 3,709,376
2021	2,215,000	1,490,075	3,705,075
2022	2,290,000	1,412,976	3,702,976
2023	2,370,000	1,331,875	3,701,875
2024	2,455,000	1,246,576	3,701,576
2025	2,540,000	1,157,875	3,697,875
2026	2,590,000	1,067,376	3,657,376
2027	2,655,000	1,006,219	3,661,219
2028	2,700,000	941,095	3,641,095
2029	2,775,000	870,594	3,645,594
2030	2,820,000	796,945	3,616,945
2031	2,895,000	719,275	3,614,275
2032	2,960,000	636,475	3,596,475
2033	3,055,000	546,111	3,601,111
2034	3,125,000	452,275	3,577,275
2035	3,205,000	355,899	3,560,899
2036	1,650,000	257,125	1,907,125
2037	1,650,000	199,187	1,849,187
2038	1,675,000	140,812	1,815,812
2039	1,635,000	81,499	1,716,499
2040	625,000	21,812	646,812
	<u>\$ 50,030,000</u>	<u>\$ 16,296,452</u>	<u>\$ 66,326,452</u>

See accompanying auditors' report.

***Pecan Grove Municipal Utility District
TSI-6. Change in Long-Term Bonded Debt
September 30, 2019***

	Bond Issue			
	Series 2010	Series 2013	Series 2015	Series 2016
Interest rate	4.0% - 5.75%	3.0% - 3.75%	2.0% - 3.75%	2.0% - 3.25%
Dates interest payable	3/01; 9/01	3/01; 9/01	3/01; 9/01	3/01; 9/01
Maturity dates	9/1/13 - 9/1/20	9/1/14 - 9/1/39	9/1/16 - 9/1/40	9/1/17 - 9/1/40
Beginning bonds outstanding	\$ 29,270,000	\$ 12,535,000	\$ 3,400,000	\$ 4,600,000
Bonds issued				
Bonds refunded	(27,135,000)			
Bonds retired	(1,035,000)	(550,000)	(100,000)	(200,000)
Ending bonds outstanding	<u>\$ 1,100,000</u>	<u>\$ 11,985,000</u>	<u>\$ 3,300,000</u>	<u>\$ 4,400,000</u>
Interest paid during fiscal year	<u>\$ 693,491</u>	<u>\$ 412,500</u>	<u>\$ 113,187</u>	<u>\$ 123,250</u>
Paying agent's name and city	The Bank of New York Mellon Trust Company, N.A; Dallas, TX			
All Series	The Bank of New York Mellon Trust Company, N.A; Dallas, TX			
Bond Authority:	Water, Sewer, and Drainage Bonds	Drainage and Reclamation and Refunding Bonds	Refunding Bonds	
Amount Authorized by Voters	\$ 33,600,000	\$ 24,300,000	\$ 32,974,200	
Amount Issued		(24,300,000)	(28,454,200)	
Remaining To Be Issued	<u>\$ 33,600,000</u>	<u>\$ -</u>	<u>\$ 4,520,000</u>	

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

Debt Service Fund cash and investments balances as of September 30, 2019: \$ 2,194,837

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 3,158,402

See accompanying auditors' report.

Bond Issue		
Series 2017	Series 2019 Refunding	Totals
2.0% - 4.0%	2.125% - 4.0%	
3/01; 9/01	3/01; 9/01	
9/1/18 - 9/1/40	9/1/20 - 9/1/35	
\$ 1,710,000	\$ -	\$ 51,515,000
	27,615,000	27,615,000
		(27,135,000)
(80,000)		(1,965,000)
<u>\$ 1,630,000</u>	<u>\$ 27,615,000</u>	<u>\$ 50,030,000</u>
<u>\$ 52,663</u>	<u>\$ 210,719</u>	<u>\$ 1,605,810</u>

Pecan Grove Municipal Utility District
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 1,208,534	\$ 1,130,760	\$ 1,123,736	\$ 1,084,564	\$ 1,115,118
Sewer service	1,538,444	1,477,620	1,464,061	1,417,490	1,450,048
Surface water fees	805,043	921,312	805,534	761,058	813,571
Property taxes	2,742,866	2,674,436	2,571,699	2,415,972	2,091,369
Penalties and interest	67,554	65,512	54,086	66,678	75,214
Fire protection fees	679,823	652,925	655,350	98,450	
City of Richmond shared revenues	146,522	135,692	157,390	187,135	109,847
Water supply	915,443	869,792	434,250	118,798	
Tap connection and inspection	86,240	63,000	177,265	192,634	13,891
FEMA grants	341,994				
Miscellaneous	232,966	254,546	324,791	710,436	218,536
Investment earnings	132,529	77,843	34,317	13,724	7,793
Total Revenues	8,897,958	8,323,438	7,802,479	7,066,939	5,895,387
Expenditures					
Current service operations					
Professional fees	781,476	576,119	388,147	500,709	738,859
Contracted services	1,841,866	1,675,830	1,668,676	1,559,458	891,506
Surface water plant	879,641	1,249,825	1,360,432	1,058,843	1,154,406
Surface water transportation costs	123,216	117,518	107,954	96,128	91,237
Repairs and maintenance	1,529,103	1,212,107	1,800,119	1,541,526	1,395,520
Utilities	330,958	274,486	274,219	314,101	285,343
Solid waste	674,291	646,779	617,509	590,337	586,598
Administrative	139,615	178,386	169,958	185,181	225,231
Parks and recreation	328,458	385,827	265,077	229,707	273,251
Other	71,300	95,035	65,812	60,737	32,653
Capital outlay	716,461	574,140	1,293,699	2,013,019	
Total Expenditures	7,416,385	6,986,052	8,011,602	8,149,746	5,674,604
Revenues Over (Under) Expenditures	<u>\$ 1,481,573</u>	<u>\$ 1,337,386</u>	<u>\$ (209,123)</u>	<u>\$(1,082,807)</u>	<u>\$ 220,783</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
14%	13%	15%	15%	19%
17%	18%	19%	20%	25%
9%	11%	10%	11%	14%
30%	32%	33%	34%	35%
1%	1%	1%	1%	1%
8%	8%	8%	1%	
2%	2%	2%	3%	2%
10%	10%	6%	2%	
1%	1%	2%	3%	*
4%				
3%	3%	4%	10%	4%
1%	1%	*	*	*
100%	100%	100%	100%	100%
9%	7%	5%	7%	13%
21%	20%	21%	22%	15%
10%	15%	17%	15%	20%
1%	1%	1%	1%	2%
17%	15%	23%	22%	24%
4%	3%	4%	4%	5%
8%	8%	8%	8%	10%
2%	2%	2%	3%	4%
4%	5%	3%	3%	5%
1%	1%	1%	1%	1%
8%	7%	17%	28%	
85%	84%	102%	114%	99%
15%	16%	(2%)	(14%)	1%

Pecan Grove Municipal Utility District

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

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 3,997,829	\$3,904,196	\$3,856,384	\$3,770,230	\$3,613,769
Penalties and interest	41,495	56,435	41,417	36,510	39,553
Accrued interest on bonds sold			4,371	9,115	
Miscellaneous	45	1,127			
Investment earnings	79,599	68,086	27,736	9,878	4,232
Total Revenues	<u>4,118,968</u>	<u>4,029,844</u>	<u>3,929,908</u>	<u>3,825,733</u>	<u>3,657,554</u>
Expenditures					
Tax collection services	123,200	124,411	116,258	113,240	105,592
Debt service					
Principal	1,965,000	1,885,000	1,725,000	1,475,000	1,300,000
Interest and fees	2,192,510	2,075,378	2,085,594	2,078,708	1,950,174
Debt issuance costs	818,752				
Total Expenditures	<u>5,099,462</u>	<u>4,084,789</u>	<u>3,926,852</u>	<u>3,666,948</u>	<u>3,355,766</u>
Revenues Over (Under) Expenditures	<u>\$ (980,494)</u>	<u>\$ (54,945)</u>	<u>\$ 3,056</u>	<u>\$ 158,785</u>	<u>\$ 301,788</u>
Total Active Retail Water Connections	<u>4,530</u>	<u>4,520</u>	<u>4,531</u>	<u>4,396</u>	<u>4,424</u>
Total Active Retail Wastewater Connections	<u>4,434</u>	<u>4,421</u>	<u>4,412</u>	<u>4,364</u>	<u>4,415</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
97%	97%	98%	99%	99%
1%	1%	1%	1%	1%
		*	*	
*	*			
2%	2%	1%	*	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
48%	47%	44%	39%	36%
53%	52%	53%	54%	53%
20%				
124%	102%	100%	96%	92%
(24%)	(2%)	0%	4%	8%

***Pecan Grove Municipal Utility District
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2019***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): December 6, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Ryan Yokubaitis	5/18-5/22	\$ 4,950	\$ -	President
Stephen Crow	5/16-5/20	4,350	448	Vice President
Charles Bertrand	5/16-5/20	4,200	505	Assistant Vice President
G.E. Kluppel	5/18-5/22	3,300		Secretary
Jean Gobar	5/16-5/20	3,150		Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	7/03			Attorney
<i>General legal fees</i>		\$ 276,525		
<i>Bond counsel</i>		276,281		
Environmental Development Partners, LLC	6/06	1,505,954		Operator
Myrtle Cruz, Inc.	12/18	69,252		Bookkeeper
Tax Tech, Inc.	6/89	59,479		Tax Collector
Fort Bend Central Appraisal District	Legislation	47,722		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	1979	7,656		Delinquent Tax Attorney
Odyssey Engineering Group, LLC	11/17	1,785,182		Engineer
McGrath & Co., PLLC	6/16	21,100		Auditor
Masterson Advisors, LLC	4/18	248,083		Financial Advisor
Municipal Accounts & Consulting, LP	1/18	19,750		Former Bookkeeper

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