

OFFICIAL STATEMENT DATED JUNE 6, 2012

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINIONS OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "LEGAL MATTERS" AND "TAX EXEMPTION" FOR A DISCUSSION OF THE OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL, INCLUDING A DESCRIPTION OF THE ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.
See "QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" herein.

NEW ISSUE — Book Entry Only

Ratings: Standard & Poor's Ratings Services (AGM) "AA –" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

\$4,905,000

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

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

UNLIMITED TAX REFUNDING BONDS, SERIES 2012

Dated: July 1, 2012

Due: September 1

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar" or "Registrar"). Interest on the Bonds accrues from July 1, 2012, and is payable on Sept 1, 2012 (two-month interest payment), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof.

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 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 as described herein. See "THE BONDS — Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").



MATURITY SCHEDULE

Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield(a)	Principal Amount	Maturity (September 1)	Interest Rate	Initial Reoffering Yield(a)
\$75,000	2012	2.00%	0.45%	\$340,000	2021(b)	4.00%	2.31%
20,000	2013	2.00	0.70	350,000	2022(b)	4.00	2.46
20,000	2014	2.00	0.85	270,000	2023(b)	4.00	2.61
280,000	2015	3.00	1.08	280,000	2024(b)	4.00	2.75
290,000	2016	3.00	1.23	285,000	2025(b)	4.00	2.87
290,000	2017	3.00	1.48	295,000	2026(b)	4.00	3.00
300,000	2018	3.00	1.68	310,000	2027(b)	4.00	3.08
315,000	2019	3.00	1.88	325,000	2028(b)	4.00	3.16
325,000	2020(b)	4.00	2.08	535,000	2029(b)	4.00	3.23

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriters (defined herein). Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriters for public offerings, and which subsequently may be changed.

(b) Bonds maturing on or after September 1, 2020, are subject to redemption prior to maturity at the option of Cinco Municipal Utility District No. 8 (the "District"), as a whole or from time to time in part, on September 1, 2019, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The proceeds of the sale of the Bonds, plus certain funds of the District that are lawfully available for such purpose, will be applied to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds. See "PLAN OF FINANCING — Use of Bond Proceeds." The Bonds, when issued, constitute valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS — Source of Payment."

Neither the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any political subdivision other than the District, is pledged to the payment of the principal of and interest on the Bonds. The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered 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 Attorney General of Texas; Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas, Bond Counsel; and Andrews Kurth LLP, Houston, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., Houston, Texas. Delivery of the Bonds is expected on or about July 12, 2012.

RBC CAPITAL MARKETS

FIRSTSOUTHWEST

TABLE OF CONTENTS

	<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Underwriting	5
Prices and Marketability	5
Securities Laws	5
BOND INSURANCE	5
Bond Insurance Policy	5
Assured Guaranty Municipal Corp.	6
BOND INSURANCE RISK FACTORS	7
RATINGS	8
OFFICIAL STATEMENT SUMMARY	9
THE BONDS	19
General	19
Book-Entry-Only System	19
Use of Certain Terms in Other Sections of this Official Statement	21
Record Date	21
Assignments, Transfers, and Exchanges	21
Replacement of Bonds	21
Authorization of the Bonds	22
Payment Record	22
Source of Payment	22
Redemption Provisions	22
Defeasance	23
Amendments to Bond Resolution	24
Annexation and Consolidation	24
Strategic Partnership	24
Issuance of Additional Debt	24
Registered Owners' Remedies	25
Bankruptcy Limitation to Registered Owners' Rights	25
Legal Investment and Eligibility to Secure Public Funds in Texas	26
PLAN OF FINANCING	27
Use of Bond Proceeds	27
Refunded Bonds	27
Escrow Agreement	27
The Non-Refunded Bonds (Remaining Outstanding Bonds)	28
Sources and Uses of Funds	29
INVESTMENT CONSIDERATIONS	29
General	29
Factors Affecting Taxable Values and Tax Payments	29
Overlapping District Taxes and Functions	31
Tax Collection Limitations	33
Registered Owners' Remedies and Bankruptcy	33
Bankruptcy Limitation to Registered Owners' Rights	33
The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District	34
Marketability	34
Future Debt	34
Continuing Compliance with Certain Covenants	35
Approval of the Bonds	35
Environmental Regulation	35
Future and Proposed Legislation	36

THE DISTRICT	37
Authority	37
Description	37
Management of the District	37
Utility System Operator	38
Tax Assessor/Collector	38
Bookkeeper	38
Engineer	38
Attorney	38
Special Tax Counsel	38
Financial Advisor	38
Auditor	38
CINCO RANCH	39
DEVELOPMENT OF THE DISTRICT	39
Lot Development and Home Construction	40
FUTURE DEVELOPMENT	41
AERIAL PHOTOGRAPH OF THE DISTRICT	42
PHOTOGRAPHS WITHIN THE DISTRICT	43
PHOTOGRAPHS WITHIN THE DISTRICT	44
DISTRICT DEBT	45
Debt Service Requirement Schedule	45
Bonded Indebtedness	46
Estimated Direct and Overlapping Debt Statement	47
Debt Ratios	48
TAX DATA	48
General	48
Tax Rate Limitation	48
Maintenance Tax	48
Contract Tax	49
Historical Values and Tax Collection History	49
Analysis of Tax Base	50
Tax Rate Distribution	50
Principal 2011 Taxpayers	51
Exemptions	51
Tax Rate Calculations	51
Estimated Overlapping Taxes	52
TAXING PROCEDURES	53
Authority to Levy Taxes	53
Exempt Property	53
County-Wide Appraisal District	54
Assessment and Levy	54
District and Taxpayer Remedies	55
Rollback of Operation and Maintenance Tax Rate	55
Collection	55
District's Rights in the Event of Tax Delinquencies	56
THE SYSTEM	56
Description of the System and Regulation	56
Willow Fork Drainage District	57
Fort Bend County Levee Improvement District No. 12	57
100-Year Flood Plain	57
Subsidence and Conversion to Surface Water Supply	58
The Master District	59
Water Supply Facilities	60
Wastewater Treatment Facilities	60

LEGAL MATTERS	61
Legal Opinions	61
No Arbitrage	61
No-Litigation Certificate	62
No Material Adverse Change	62
TAX EXEMPTION	62
Impact of President’s 2013 Budget Proposal	63
TAX TREATMENT OF ORIGINAL ISSUE PREMIUM BONDS	63
Premium Bonds	63
QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS	64
VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION	64
OFFICIAL STATEMENT	64
General	64
Experts	65
Certification as to Official Statement	65
Updating of Official Statement	65
Official Statement “Deemed Final”	65
CONTINUING DISCLOSURE OF INFORMATION	66
Annual Reports	66
Material Event Notices	66
Availability of Information	67
Limitations and Amendments	67
Compliance with Prior Undertakings	67
APPENDIX A - LOCATION MAP	
APPENDIX B - ANNUAL FINANCIAL REPORT	
APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY	

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

This Official Statement 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 that they will be realized.

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.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The Underwriters (hereinafter defined) has provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Neither the District nor the Underwriters make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “foresees,” “may,” “predict,” “should,” “will” or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under “INVESTMENT CONSIDERATIONS” in this Official Statement, as well as additional factors beyond the District’s control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

RBC Capital Markets, LLC and First Southwest Company (together referred to herein as the “Underwriters”) have agreed to purchase the Bonds from the District for \$5,211,546.60 (an amount equal to the principal amount of the Bonds, less an Underwriter's discount of \$61,312.50, plus an original issue premium of \$367,859.10) plus accrued interest on the Bonds to the date of delivery. The Underwriters are obligated to purchase all of the Bonds if any are purchased.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriters on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriters or wholesaler. Otherwise, the District has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriters.

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, if any, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 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.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA-” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody’s issued a press release stating that it had placed AGM’s “Aa3” insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody’s may take. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody’s comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM’s financial strength rating from “AA+” to “AA-”. At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

Capitalization of AGM

At March 31, 2012, AGM’s consolidated policyholders’ surplus and contingency reserves were approximately \$3,123,869,658 and its total net unearned premium reserve was approximately \$2,275,867,231, in each case, in accordance with statutory accounting principles.

AGM’s statutory financial statements for the fiscal year ended December 31, 2011, and for the quarterly period ended March 31, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL’s website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

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

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

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

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims 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 "BOND INSURANCE" and "RATINGS" herein.

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 Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATINGS

Standard & Poor's Ratings Services ("Standard & Poor's") is a Standard & Poor's Financial Services LLC business. Standard & Poor's is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by Standard & Poor's reflect its analysis of the overall level of credit risk involved in financings. At present Standard & Poor's assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest ratings).

The Bonds are expected to receive an insured rating of "AA-" (stable outlook) from Standard & Poor's based upon the issuance of the municipal bond insurance policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Standard & Poor's is "A-" (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from Standard & Poor's. The foregoing ratings express only the view of Standard & Poor's at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor's, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of Standard & Poor's.

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more detailed information.

THE BONDS

The Issuer	Cinco Municipal Utility District No. 8 (the “District”) is a political subdivision of the State of Texas located in Fort Bend County, Texas. See “THE DISTRICT.”
The Issue	\$4,905,000 Cinco Municipal Utility District No. 8 Unlimited Tax Refunding Bonds, Series 2012, are dated July 1, 2012, and mature on September 1 in each of the years and in the principal amounts and accrue interest at the rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2012 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds maturing on or after September 1, 2020, are subject to prior redemption, in whole or from time to time in part, at the option of the District, on or after September 1, 2019, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS - General” and - “Redemption Provisions.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System.”
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Houston, Texas, or any political subdivision other than the District. Neither the faith and credit nor the taxing power of the State of Texas nor Fort Bend County, Texas, the City of Houston, Texas, or any other political subdivision other than the District, is pledged to the payment of the principal of and interest on the Bonds. See “THE BONDS - Source of Payment.”
Authority for Issuance, Authorized But Unissued Bonds, and Payment Record . .	The Bonds constitute the third series of unlimited tax refunding bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 1996 (the “Series 1996 Bonds”), Unlimited Tax Bonds, Series 1998 (the “Series 1998 Bonds”), Unlimited Tax Bonds, Series 1999 (the “Series 1999 Bonds”),

Unlimited Tax Bonds, Series 2000 (the “Series 2000 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”) and Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”) for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. The District also has issued Unlimited Tax Refunding Bonds, Series 2005 (the “Series 2005 Refunding Bonds”) and Unlimited Tax Refunding Bonds, Series 2011 (the “Series 2011 Refunding Bonds”) to refund certain bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Outstanding Bonds.” Voters in the District have authorized a total of \$16,500,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System to serve the District, of which \$5,035,000 principal amount of unlimited tax bonds remain unissued. In addition, voters in the District have authorized an amount not in excess of 1 1/2 times the amount of bonds or other evidences of indebtedness issued by the District for the purposes of refunding of outstanding bonds or other evidences of indebtedness, of which \$11,012,500 unlimited tax bonds will remain unissued after the issuance of the Bonds. See “THE BONDS - Authority for Issuance” and - “Issuance of Additional Debt.” The District has timely made all payments of principal of and interest on the Outstanding Bonds when due.

Use of Proceeds	Proceeds of the sale of the Bonds, plus certain funds of the District that are lawfully available for such purpose, will be applied to refund \$4,830,000 of the principal amount of the District’s Series 2005 Bonds (the “Refunded Bonds”). The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Bonds are being issued to reduce the District's debt service payments from 2012 through 2029. See “PLAN OF FINANCING.”
The Non-Refunded Bonds	After issuance of the Bonds and the refunding of the Refunded Bonds, \$30,000 of the total principal amount of the Series 1998 Bonds, \$25,000 of the total principal amount of the Series 2002 Bonds, \$720,000 of the total principal amount of the Series 2005 Refunding Bonds, \$2,065,000 of the total principal amount of the Series 2010 Bonds and all \$2,300,000 of the total principal amount of the Series 2011 Refunding Bonds will remain outstanding. Therefore, the aggregate principal amount of the Outstanding Bonds, less the principal amounts thereof previously retired by the District, and less the Refunded Bonds, will be \$5,140,000 (the “Non-Refunded Bonds” or the “Remaining Outstanding Bonds”), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$10,045,000.
Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “BOND INSURANCE.”
Municipal Bond Ratings	Standard & Poor’s Ratings Services (AGM Insured).....”AA-” (stable outlook). See “BOND INSURANCE” and “RATINGS.”
Paying Agent/Registrar	The Paying Agent/Registrar of the Bonds is The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas.

Bond Counsel	Coats, Rose, Yale, Ryman & Lee, P.C., Bond Counsel. See “LEGAL MATTERS.”
Special Tax Counsel	Andrews Kurth LLP, Houston, Texas.
Verification Agent	Grant Thornton LLP, Certified Public Accountants. See “VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION.”
Qualified Tax-Exempt Obligations	In the Bond Resolution, the District states that it has designated the Bonds to be “qualified tax-exempt obligations,” and the District represents that it has or will take such action as it deems necessary for the Bonds to constitute “qualified tax-exempt obligations.” See “QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.”

THE DISTRICT

The District	The District was created by an Act of the 69th Legislature of the State of Texas, Regular Session, as signed by the Governor of Texas on May 24, 1985. The District contains 442.057 acres of land, including an approximately 27.527-acre tract of land that was annexed by the District on March 22, 2011. The District is located approximately 25 miles west-southwest of the central business district of the City of Houston, Texas and is located entirely within Fort Bend County, Texas. The District is located approximately 4 miles south of the intersection of Interstate Highway 10 and Mason Road. Mason Road bisects the western portion of the District in a north-south direction. A portion of the District is bordered on the south by the Westpark Toll Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston and lies entirely within the Katy Independent School District. Approximately 342.747 of the approximately 442.057 acres contained within the District are located within the Willow Fork Drainage District (the “Drainage District”), and the remaining approximately 99.31 acres located within the District are located within Fort Bend County Levee Improvement District No. 12 (“LID No. 12”). See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”
Authority	The rights, powers, privileges, authority, and functions of the District are established by the Act of the Legislature creating the District and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code. See “THE DISTRICT - Authority.” The District was created to finance the acquisition or construction of the System to serve the land located within the District. See “THE SYSTEM.”
Cinco Ranch	The District is one of eleven municipal utility districts (the “Cinco MUDs”) which cover approximately 5,345 acres of land located in Fort Bend and Harris Counties, Texas. In addition to the Cinco MUDs, the Drainage District has been formed to cover approximately 5,718 acres of land, including approximately 342.747 acres of land located within the District (South Park, Section 1 and Canyon Gate,

901 total lots). The remaining approximately 99.31 District acres are located within LID No. 12, a levee improvement district formed to cover approximately 4,045 acres of land. Two gasoline service stations with convenience stores, the 300-unit The Residences at Cinco Ranch Apartments, an approximately 6,000 square foot retail shopping center, and 102 lots on approximately 25 acres of land which have been developed as Canterbury, Section 1 have been completed within such approximately 99.31 acres. In addition, the 210-unit Villas at Mason Road Apartments are currently under construction on approximately 15.66 acres of such approximately 99.31 acres, with completion expected in approximately January 2013. The District contains a total of 1,003 fully-developed single-family residential lots. Single-family residences have been constructed and conveyed to home purchasers on all 1,003 lots. See "Development of the District." Development activity which has occurred to date within the Cinco MUDs and the Drainage District in addition to the aforementioned activity in the District includes the construction of (i) major outfall drainage facilities and trunk storm sewer facilities financed or to be financed by the Drainage District, (ii) water supply and trunk water distribution and wastewater treatment and trunk wastewater collection facilities financed or to be financed by Cinco Municipal Utility District No. 1 ("Cinco MUD No. 1" or the "Master District") in its capacity as a master water and sewer district (see "THE SYSTEM -The Master District") and, (iii) lot development activity within Cinco MUD Nos. 1 through 3, 5 through 10, 12 and 14 consisting of a total in excess of 10,009 developed residential lots which contain in excess of 10,000 single-family residential connections.

Amenities which have been developed as part of the Cinco Ranch development but which are not included within the boundaries of the District include (i) the 18-hole Willow Fork Country Club and Golf Course, which has been developed on approximately 174 acres of land located in Cinco MUD Nos. 3, 5 and 6 and which includes an approximately 16,000 square foot clubhouse, pro shops, nine lighted tennis courts, and a swimming pool, and (ii) the 18-hole The Golf Club at Cinco Ranch, which has been developed on approximately 200 acres of land located in Cinco MUD No. 2 and the adjoining Cornerstones Municipal Utility District (the latter of which is not a part of the Cinco MUDs), and includes an approximately 10,600 square foot clubhouse. Other amenities developed as part of Cinco Ranch include an 18-acre lake system, beach club, and swimming lagoon; six lighted tennis courts; an extensive greenbelt system; five recreation centers with swimming pools; and a 2,900 square foot visitors center and central sales office. The University of Houston West Houston Institute at Cinco Ranch has been constructed on an approximately 12-acre site located within one of the Cinco MUDs, and the Katy Independent School District owns approximately 242 acres located within the Cinco MUDs on which it has constructed a senior high school, four junior high schools, six elementary schools, administrative offices, and a transportation facility. Additionally, a Fort Bend County library and a YMCA facility have been constructed in Cinco Ranch. Other commercial development in Cinco Ranch

includes a Kroger Center, Super Target Center, Lifetime Fitness Center, La Centerra town center development, six apartment complexes, multiple medical/dental offices, an assisted living facility, multiple churches, and many other retail establishments including restaurants, pharmacies, and banks. The portions of the aforementioned development that are located within the District are described below under the caption “Development of the District.”

Development of the District

Land development activity which has occurred in the District to date includes the completion of the development of 1,003 single-family residential lots on approximately 270.5 acres. Single-family residences have been completed and sold to home purchasers on all 1,003 lots. Such 1,003 family residences have been constructed in the residential subdivisions of South Park, Section 1; Canyon Gate, Sections 1 through 8; and Canterbury, Section 1. In addition, an approximately 21.8-acre tract of land located within the District has been provided perimeter trunk water distribution, wastewater collection, and storm sewer facilities and street paving. Two gasoline service stations with convenience stores, the 300-unit The Residences at Cinco Ranch Apartments, and an approximately 6,000 square foot retail shopping center have been constructed on such tract. The 210-unit Villas at Mason Road Apartments are currently under construction on an approximately 15.66-acre tract of land located within the District, with completion expected in approximately January 2013.

The District financed its cost of acquiring and constructing the internal water distribution, wastewater collection, and storm sewer facilities to serve South Park, Section 1; Canyon Gate, Sections 1 through 8; Canterbury, Section 1; and other property with portions of the proceeds of the sale of the Outstanding Bonds.

An aggregate of approximately 84 acres located within the District is located within street or drainage rights-of-way or is otherwise currently anticipated to be not available for development. A church has been constructed on approximately 10 acres in the District. An aggregate of approximately 4.14 acres of land located within the District has been provided with perimeter trunk water distribution, wastewater collection and storm sewer facilities and is available for the construction of future above-ground improvements. On March 22, 2011, the District annexed an undeveloped tract of land totalling approximate 27.527 acres that is owned by JAC Interest, Ltd., Cummins Family Trust, and Cummins Children’s Trust. Such approximately 27.527 acres is expected to be developed for future commercial or multi-family use. Since no owner of any of the currently undeveloped land located in the District is under any obligation to the District to develop any of such land, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. See “FUTURE DEVELOPMENT.”

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT, THE MAINTENANCE OF THE VALUATION OF DEVELOPED PROPERTY LOCATED WITHIN THE DISTRICT, AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. SEE "INVESTMENT CONSIDERATIONS."

District Tax Levy and Overlapping

District Taxes and Functions

As is stated above, approximately 342.747 of the approximately 442.057 acres contained within the District are located within the Willow Fork Drainage District, a drainage district which covers approximately 5,718 acres of land. The Drainage District has financed the acquisition and/or construction of certain improvements to accommodate storm water drainage within the Drainage District, including the portion of the District that is located within the Drainage District. The Drainage District is expected to finance the acquisition and/or construction of additional drainage facilities and recreational facilities in the future, including trunk storm sewer facilities constructed within the rights-of-way of major thoroughfares constructed within the boundaries of the Drainage District, with the proceeds of unlimited tax bonds to be issued in the future by the Drainage District. The Drainage District has to date issued several series of unlimited tax bonds to finance the acquisition and/or construction of facilities, and four series of unlimited tax refunding bonds to refund portions of its prior issued indebtedness. As of the date of this Official Statement, \$33,170,000 in principal amount of Drainage District bonds are outstanding. The principal of and interest on Drainage District bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Drainage District. The Drainage District levied a debt service tax of \$0.13 per \$100 of Assessed Valuation for 2011, plus a maintenance tax of \$0.06 per \$100 of Assessed Valuation, for a total 2011 tax of \$0.19 per \$100 of Assessed Valuation. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Fort Bend County Levee Improvement District No. 12 is a levee improvement district which was formed to finance, own and operate major drainage outfall facilities and other facilities to serve a total of 4,045 acres, approximately 99.31 of which lie within the District. LID No. 12 issued Unlimited Tax Levee Improvement Refunding Bonds, Series 2005 and Series 2012 to refund bonds that LID No. 12 had previously issued to finance certain outfall drainage facilities which provide drainage to a portion of the land located within LID No. 12. LID No. 12 levied a tax in 2011 of \$0.13 per \$100 of Assessed Valuation, consisting of debt service and maintenance tax components of \$0.09 and \$0.04 per \$100 of Assessed Valuation, respectively.

As is discussed in this Official Statement under the caption "THE SYSTEM - The Master District," on August 30, 1990, the District executed a Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities and Regional Water Supply and Delivery Facilities (the "Master District Contract") with Cinco Municipal Utility District No. 1 (the "Master District") for the Master District to supply the District with water and to provide wastewater treatment services to the District with the acquisition or construction of facilities (the "Master District Facilities"). The Master District Contract provides that the District and all districts party to the Master District Contract shall pay a pro rata share of debt service on Master District bonds based upon certified assessed valuation, and obligates the District to pay its pro rata share from the proceeds of ad valorem taxes levied for such purpose (the "Contract Tax") or from any other lawful source of District income. The Master District has issued several series of unlimited tax contract revenue bonds, contract revenue bonds and contract revenue refunding bonds, \$63,000,000 principal amount of which currently remains outstanding. The Master District Contract also provides for the allocation of costs to operate and maintain the Master District Facilities which are charged pro rata to the districts which are parties to the Master District Contract, currently all of the Cinco MUDs, including the District. See "INVESTMENT CONSIDERATIONS - Overlapping District Taxes and Functions."

The tax rates that may be required to service debt on any bonds issued by a municipal utility district, including the District, are subject to numerous uncertainties such as the growth of taxable values in the District, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property covered by the Cinco MUDs, including the District, plus the Contract Tax, will be competitive with the tax rates of competing projects. The District levied a debt service tax of \$0.40 per \$100 of Assessed Valuation, a maintenance tax of \$0.195 per \$100 of Assessed Valuation, and a Contract Tax of \$0.245 per \$100 of Assessed Valuation in 2011. Thus, the combined tax levies of the District and the Drainage District for 2011 applicable to the portion of the District within the Drainage District are \$1.03 per \$100 of Assessed Valuation. Such combined levy is higher than the tax rates levied by many municipal utility districts in the Houston metropolitan area, but is within the range of tax rates being levied by many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Prospective purchasers of the Bonds are reminded that the development which has occurred to date or which is planned to occur on land covered by the Cinco MUDs other than the District creates assessed valuation of property (i) against which will be levied taxes to pay debt service on bonds (a) issued by such Cinco MUDs other than the District, and (b) issued by the Willow Fork Drainage District or LID No. 12, or (ii) which comprises the basis for Contract Tax payments to be made to the Master District to pay debt service on bonds issued by the Master District. The development or lack thereof which occurs in the District and the Cinco MUDs other than the District will have an effect on the level of indebtedness and debt service payments thereon of the Drainage District, LID No. 12, and the Master District, which ultimately could affect the development of the District and the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT, THE MAINTENANCE OF THE VALUATION OF DEVELOPED PROPERTY LOCATED WITHIN THE DISTRICT, AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. SEE "INVESTMENT CONSIDERATIONS."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2011 Assessed Valuation	\$199,997,863(a)
(As of January 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES"	
2012 Preliminary Valuation	\$220,861,815(b)
(As of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt	
Remaining Outstanding Bonds	\$ 5,140,000(c)
The Bonds	<u>4,905,000</u>
Total	\$ 10,045,000
Estimated Overlapping Debt	<u>\$ 18,965,621</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 29,010,621</u>
Direct Debt Ratios	
: as a percentage of 2011 Assessed Valuation	5.02%
: as a percentage of 2012 Preliminary Valuation	4.55%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2011 Assessed Valuation	14.51%
: as a percentage of 2012 Preliminary Valuation	13.14%
Debt Service Fund Balance Estimated As of Delivery of the Bonds	\$ 990,192(d)
General Fund Balance at May 22, 2012	\$ 3,749,936
2011 Tax Rate	
The District	
District Debt Service Tax	\$0.400
Contract Tax	0.245
Maintenance Tax	<u>0.195</u>
Willow Fork Drainage District	<u>0.19(e)</u>
Total	\$1.03/\$100 A.V.(e)
Average Percentage of Total Tax Collections (2001-2010)	99.85%
Percentage of Total Tax Collections 2011 Levy	
As of April 30, 2012. In process of collection.	97.89%
Average Annual Debt Service Requirements of the Bonds and the	
Remaining Outstanding Bonds (2012-2030)	\$ 763,558
Maximum Annual Debt Service Requirements of the Bonds and the	
Remaining Outstanding Bonds (2030)	\$ 810,650

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2012-2030) at 95% Tax Collections	
Based Upon 2011 Assessed Valuation (\$199,997,863)	\$0.41
Based Upon 2012 Preliminary Valuation (\$220,861,815)	\$0.37

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements of the Bonds and the Remaining Outstanding Bonds (2030) at 95% Tax Collections	
Based Upon 2011 Assessed Valuation (\$199,997,863)	\$0.43
Based Upon 2012 Preliminary Valuation (\$220,861,815)	\$0.39

Number of Single-Family Homes	1,003
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Commercial Improvements

2 Gasoline Service Stations with Convenience Stores
 Approximately 6,000 Square Foot Retail Shopping Center
 300-Unit The Residences at Cinco Ranch Apartments
 210-Unit Villas at Mason Road Apartments (under construction - completion anticipated
 approximately January 2013)

- (a) As of January 1, 2011. All property in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2012, as reflected on the District's preliminary 2012 tax roll supplied to the District by the Appraisal District. The District's ultimate 2012 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certify the value thereof for 2012.
- (c) See "DISTRICT DEBT."
- (d) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of the entirety of the District's debt service payments that were due on March 1, 2012, on the Outstanding Bonds, and the contribution by the District of \$8,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2012, which are due on September 1, 2012, total \$552,477, and consist of principal of and interest payments on the Remaining Outstanding Bonds plus a principal payment of \$75,000 and a two-month interest payment on the Bonds.
- (e) The District levied a debt service tax of \$0.40 per \$100 of Assessed Valuation for 2011 to cover the District's direct bonded indebtedness, plus a maintenance tax of \$0.195 per \$100 of Assessed Valuation. The District is obligated to pay a pro rata share of debt service on Master District bonds from the proceeds of ad valorem taxes levied for such purpose (the "Contract Tax") or from any other source of District income. The District levied a Contract Tax in 2011 of \$0.245 per \$100 of Assessed Valuation. A portion of the property located in the District is served by the Willow Fork Drainage District (the "Drainage District") and is subject to taxation by the Drainage District. The Drainage District levied a tax of \$0.19 per \$100 of Assessed Valuation for 2011, including a maintenance tax of \$0.06 per \$100 of Assessed Valuation. With the aforementioned 2011 Drainage District tax rate of \$0.19 per \$100 of Assessed Valuation, the 2011 combined tax levies of the District and the Drainage District were \$1.03 per \$100 of Assessed Valuation. Such combined levy is higher than the tax rates levied by many municipal utility districts in the Houston metropolitan area, but is within the range of tax rates being levied by many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. The portion of the District not within the Drainage District is within Fort Bend County Levee Improvement District No. 12, which levied a tax in 2011 of \$0.13 per \$100 of Assessed Valuation, resulting in combined tax levies by the District and LID No. 12 of \$0.97 per \$100 of Assessed Valuation. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Value and Tax Payments" and - "Overlapping District Taxes and Functions."

**CINCO MUNICIPAL UTILITY DISTRICT NO. 8
UNLIMITED TAX REFUNDING BONDS
SERIES 2012**

This Official Statement of Cinco Municipal Utility District No. 8 (the “District”) is provided to furnish information with respect to the public sale by the District of its \$4,905,000 Unlimited Tax Refunding Bonds, Series 2012 (the “Bonds”). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, Chapters 49 and 54 of the Texas Water Code, and pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District.

This Official Statement contains descriptions of the Bonds, the use of proceeds of the Bonds, and the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”). A copy of the Bond Resolution may be obtained from the District upon request and payment of the costs of duplication thereof. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated July 1, 2012, and will accrue interest from July 1, 2012 (or the most recent interest payment date to which interest has been paid or duly provided for), at the stated interest rates indicated on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2012 (two-month interest payment), and on each March 1 and September 1 thereafter until maturity or prior redemption. Principal of the Bonds will be payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds is based on a 360-day year of twelve 30-day months. 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 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 as described below under “Book-Entry-Only System.”

Book-Entry-Only System

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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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 to DTC.

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers, and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within forty-five (45) calendar days of the redemption date.

Replacement of Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bond at the corporate trust office of the Registrar, in Dallas, Texas, or receipt of satisfactory evidence by the Registrar of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District and the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authorization of the Bonds

At an election held within the District on August 11, 1990, the District's voters authorized the issuance of \$16,500,000 unlimited tax bonds for financing District facilities, of which \$5,035,000 additional unlimited tax bonds remain unissued. In addition, voters in the District have authorized an amount not in excess of 1 ½ times the amount of bonds or other evidences of indebtedness issued by the District for the purposes of refunding of outstanding bonds or other evidences of indebtedness.

The Bonds are issued pursuant to the Bond Resolution, Chapters 49 and 54 of the Texas Water Code, Article XVI, Section 59 of the Texas Constitution, and Chapter 1207, Texas Government Code.

Payment Record

The Bonds constitute the third series of unlimited tax refunding bonds issued by the District. The District has previously issued Unlimited Tax Bonds, Series 1996 (the "Series 1996 Bonds"), Unlimited Tax Bonds, Series 1998 (the "Series 1998 Bonds"), Unlimited Tax Bonds, Series 1999 (the "Series 1999 Bonds"), Unlimited Tax Bonds, Series 2000 (the "Series 2000 Bonds"), Unlimited Tax Bonds, Series 2002 (the "Series 2002 Bonds") and Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds") for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. The District also has issued Unlimited Tax Refunding Bonds, Series 2005 (the "Series 2005 Refunding Bonds") and Unlimited Tax Refunding Bonds, Series 2011 (the "Series 2011 Refunding Bonds") to refund certain bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Outstanding Bonds." Voters in the District have authorized a total of \$16,500,000 principal amount of unlimited tax bonds for the purpose of acquiring and constructing the System to serve the District, of which \$5,035,000 principal amount of unlimited tax bonds remain unissued. In addition, voters in the District have authorized an amount not in excess of 1 1/2 times the amount of bonds or other evidences of indebtedness issued by the District for the purposes of refunding of outstanding bonds or other evidences of indebtedness, of which \$11,012,500 unlimited tax bonds will remain unissued after the issuance of the Bonds. See "Authorization of the Bonds" above and - "Issuance of Additional Debt" below. The District has timely made all payments of principal of and interest on the Outstanding Bonds when due.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Remaining Outstanding Bonds and any additional tax bonds of the District as may hereafter be issued by the District, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount levied against all taxable property located within the District. See "TAX DATA - Tax Rate Calculations" and "TAXING PROCEDURES" for tax adequacy, manner of assessing and collecting taxes, and the remedy to the District in the event of tax delinquencies; and "Registered Owners' Remedies" below for the remedies available to Bondholders in the event of default in the performance of any of the covenants set forth in the Bond Resolution or in the event of default in the payment of principal of or interest on the Bonds.

The Bonds are solely obligations of the District and are not obligations of the State of Texas; Fort Bend County, Texas; the City of Houston, Texas, or any political subdivision or agency other than the District.

The District has the authority to levy an annual ad valorem tax without limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Resolution, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

Redemption Provisions

The Bonds maturing on and after September 1, 2020, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2019, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register.

If less than all of the Bonds are optionally redeemed at any time, the particular Bonds to be optionally redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity and if less than all the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection, the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Amendments to Bond Resolution

The Bond Resolution contains provisions that the District may, without the consent of or notice to any Holders of the Bonds, amend, change or modify the Bond Resolution as may be required (a) by the provisions thereof, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission therein, or (c) in connection with any other change which is not to the prejudice of the Holders of the Bonds. Except for such amendments, changes, or modifications, the District shall not amend, change, or modify the Bond Resolution in any manner without the consent of the Holders of the Bonds.

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City of Houston (the "City"). Under Texas statutes, the District may be annexed in whole, but not in part, by the City without the District's consent, subject to compliance by the City with various requirements of Chapter 43, Texas Local Government Code, as amended, in which case the City must dissolve the District and assume the assets, functions, and obligations of the District, including the Bonds and any other bonded indebtedness of the District existing at the time of annexation. When any bonds or other obligations of the District payable in whole or in part from ad valorem taxes have been assumed by the City, the City is required to levy and cause to be collected, upon all taxable property within the City, taxes sufficient to pay principal of and interest on any such bonds or obligations as they become due and payable. The City may issue refunding bonds in its own name to refund any bonds or obligations so assumed. No representation is made that the City will ever abolish the District and assume its debt, nor that the City would be able to pay such debt service obligations if it were to annex the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water and sewer systems of the district or districts with which it is consolidating. No representation is made that the District will ever consolidate its System with another district or consolidate its System with other systems.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Issuance of Additional Debt

With the approval of the TCEQ, the District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$16,500,000 unlimited tax bonds for construction purposes and an amount not in excess of 1 ½ times the amount of bonds or other evidences of indebtedness issued by the District for the purposes of refunding of outstanding bonds or other evidences of indebtedness. Following the issuance of the Bonds, \$5,035,000 unlimited tax bonds for construction and \$11,012,500 for the purposes of refunding of outstanding bonds or other evidences of indebtedness will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ, if required).

If the undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions as required by the TCEQ. According to the District's consulting engineer, Dannenbaum Engineering Corporation (the "Engineer"), the \$5,035,000 authorized bonds which remain will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM."

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. See “INVESTMENT CONSIDERATIONS - Future Debt.”

The District is also authorized by statute to pay for the development and maintenance of parks and recreational facilities (excluding swimming pools and golf courses) and may issue bonds payable from taxes for such purposes if approved by the voters within the District. The Board has not called an election for such purposes nor has it indicated an intention to do so. However, the Board could call such an election in the future. Issuance of bonds for parks and recreational facilities could dilute the investment security of the Bonds.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default. 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 judgement 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 the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See “Bankruptcy Limitation to Registered Owners' Rights” below and “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy.”

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by 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. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

PLAN OF FINANCING

Use of Bond Proceeds

Proceeds of the sale of the Bonds, plus certain funds of the District that are lawfully available for such purpose, will be applied to refund \$4,830,000 of the principal amount of the District's Series 2005 Bonds (the "Refunded Bonds"). The proceeds of the sale of the Bonds will also be used to pay the costs of issuance of the Bonds. The Bonds are being issued to reduce the District's debt service payments from 2012 through 2029.

Refunded Bonds

The principal amounts and maturity dates (or mandatory sinking fund redemption dates, if applicable) of the Series 2005 Bonds to be refunded are set forth below.

<u>Maturing September 1</u>	<u>Refunded Series 2005 Bonds Principal Amount</u>
2015	\$ 260,000
2016	275,000
2017	280,000
2018	290,000
2019	310,000
2020	325,000
2021	340,000
2022	355,000
2023	275,000
2024	285,000
2025	295,000
2026	310,000
2027	325,000
2028	345,000
2029	<u>560,000</u>
	\$4,830,000

Redemption Date: 9/1/12

Aggregate Principal Amount of Refunded Bonds \$4,830,000

Escrow Agreement

The District will enter into an escrow agreement (the "Escrow Agreement") with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the "Escrow Agent"), pursuant to which a portion of the proceeds of the Bonds, together with certain other monies lawfully available to the District, will be invested in certain securities of the United States of America (the "Escrowed Obligations"), deposited in an escrow fund, and applied to provide for scheduled payment of principal of and interest on the Refunded Bonds until their redemption dates, and to provide for payment of the redemption price of the Refunded Bonds on their redemption dates.

By the deposit of the Escrowed Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolutions authorizing their issuance. In the opinion of Bond Counsel, as a result of such deposit and exemption of the Escrow Agreement, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION."

The Non-Refunded Bonds (Remaining Outstanding Bonds)

After issuance of the Bonds and the refunding of the Refunded Bonds, \$30,000 of the total principal amount of the Series 1998 Bonds, \$25,000 of the total principal amount of the Series 2002 Bonds, \$720,000 of the total principal amount of the Series 2005 Refunding Bonds, \$2,065,000 of the Series 2010 Bonds and all \$2,300,000 of the total principal amount of the Series 2011 Refunding Bonds will remain outstanding. Therefore, the aggregate principal amount of the Outstanding Bonds, less the principal amounts thereof previously retired by the District, and less the Refunded Bonds, will be \$5,140,000 (the "Non-Refunded Bonds" or the "Remaining Outstanding Bonds"), and the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$10,045,000.

The principal amounts and maturity dates (or mandatory sinking fund redemption dates, if applicable) of the Series 1998 Bonds, Series 2002 Bonds, Series 2005 Refunding Bonds, Series 2010 Bonds, and Series 2011 Refunding Bonds which are not being refunded and which will remain outstanding as of the date of the issuance of the Bonds are as follows:

NON-REFUNDED BONDS SERIES

<u>Maturity</u>	<u>1998 Bonds Principal Amount</u>	<u>2002 Bonds Principal Amount</u>	<u>2005 Refunding Bonds Principal Amount</u>	<u>2010 Bonds Principal Amount</u>	<u>2011 Refunding Bonds Principal Amount</u>
9/1/2012	\$30,000	\$25,000	\$ 230,000	\$40,000	\$20,000
9/1/2013			240,000	45,000	75,000
9/1/2014			250,000	50,000	75,000
9/1/2015				55,000	80,000
9/1/2016				55,000	80,000
9/1/2017				55,000	90,000
9/1/2018				65,000	90,000
9/1/2019				65,000	90,000
9/1/2020				65,000	95,000
9/1/2021				75,000	90,000
9/1/2022				75,000	100,000
9/1/2023				80,000	200,000
9/1/2024				80,000	210,000
9/1/2025				90,000	220,000
9/1/2026				90,000	230,000
9/1/2027				95,000	245,000
9/1/2028				100,000	250,000
9/1/2029				110,000	60,000
9/1/2030				775,000	
	<u>\$30,000</u>	<u>\$25,000</u>	<u>\$720,000</u>	<u>\$2,065,000</u>	<u>\$2,300,000</u>

Total Principal Amount of Non-Refunded Bonds (Remaining Outstanding Bonds) \$5,140,000

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of Bonds	\$4,905,000.00
Plus: Original Issue Premium	367,859.10
Accrued Interest	5,474.03
District Contribution	<u>8,000.00</u>
Total Sources of Funds	\$5,286,333.13

USES OF FUNDS:

Deposit with Escrow Agent	\$4,942,277.52
Deposit Accrued Interest to Debt Service Fund	5,474.03
Expenses:	
Underwriters' Discount	61,312.50
Municipal Bond Insurance and Other Issuance Expenses	<u>277,269.08</u>
Total Uses of Funds	\$5,286,333.13

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the District is attributable to the current market value of single-family residences, commercial improvements, and apartments that have been constructed within the District. The assessed value of such single-family residences, commercial improvements, and apartments that have been constructed within the District is related to general economic conditions affecting the demand for such improvements. The assessed value of single-family residences of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, the level of residential foreclosures, energy availability and costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although, as is stated in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT" the District currently contains completed improvements consisting of 1,003 residences, the 300-unit The Residences at Cinco Ranch Apartments, two gasoline service stations with convenience stores, an approximately 6,000 square foot retail shopping center; and also contains the 210-unit Villas at Mason Road Apartments that are currently under

construction (completion expected in approximately January 2013), the District cannot predict the pace or magnitude of any future development or the construction of other taxable improvements in the District other than that which has been undertaken to date. Moreover, the District cannot predict the level of occupancy of The Residences at Cinco Ranch Apartments or The Villas at Mason Road upon completion.

National Economy: There has been a significant downturn in new housing construction in the United States, resulting in a decline in national housing market values. The Houston area, which includes Fort Bend County, has experienced reduced levels of home construction. Although, as is stated above under “Economic Factors,” and as described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT” the District currently contains completed improvements consisting of 1,003 residences, the 300-unit The Residences at Cinco Ranch Apartments, two gasoline service stations with convenience stores, and an approximately 6,000 square foot retail shopping center; and also contains the 210-unit Villas at Mason Road Apartments that are currently under construction (completion expected in approximately January 2013), the District cannot predict the pace or magnitude of any future development or construction of other taxable improvements in the District other than that which has been undertaken to date. Moreover, the District cannot predict the level of occupancy of The Residences at Cinco Ranch Apartments or The Villas at Mason Road upon completion. The District cannot predict what impact, if any, a continued downturn in the local and national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction of future taxable improvements, particularly short-term interest rates at which the construction of future taxable improvements within the District might be financed. Interest rate levels may affect the construction of future taxable improvements within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, because the District is located approximately 25 miles west-southwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A continued downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect construction plans in the District and restrain the growth of the District’s property tax base.

Maximum Impact on District Tax Rates: Assuming no further development or construction of other taxable improvements in the District, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2011 Assessed Valuation of property located within the District (see “TAX DATA”) is \$199,997,863. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Remaining Outstanding Bonds will be \$810,650 (2030) and the Average Annual Debt Service Requirements will be \$763,558 (2012 through 2030, inclusive). Assuming no increase nor decrease in the 2011 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.43 and \$0.41 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds, respectively. The 2012 Preliminary Valuation is \$220,861,815. Assuming no increase to or decrease from such 2012 Preliminary Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.39 and \$0.37 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements on the Remaining Outstanding Bonds and the Bonds, respectively. See “TAX DATA - Tax Rate Calculations.” The District levied a debt service tax rate of \$0.40 per \$100 of Assessed Valuation for 2011, plus a maintenance tax of \$0.195 per \$100 of Assessed Valuation. Therefore, a debt service tax rate of \$0.40 per \$100 of Assessed Valuation is sufficient to pay the Maximum Annual and Average Annual Debt Service Requirements on the Bonds and the Remaining Outstanding Bonds, assuming District collections of 95% of such levy; no use of other available funds, including earnings from the investment of funds held in the District’s Debt Service Fund; and the issuance of no additional bonds by the District. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners.

The District property owners are also responsible for the payment of a contract tax (the "Contract Tax") to cover the District's pro rata share of bonds issued by Cinco MUD No. 1 in its capacity as a master water and sewer district (the "Master District"). The District has levied a Contract Tax in 2011 of \$0.245 per \$100 of Assessed Valuation. In addition, approximately 342.747 acres in the District lie within the Willow Fork Drainage District (the "Drainage District") and are subject to taxation by the Drainage District, and approximately 99.31 acres in the District lie within Fort Bend County Levee Improvement District No. 12 ("LID No. 12") and are subject to taxation by LID No. 12. As is discussed below under the caption "Overlapping District Taxes and Functions," one must consider the total tax burden of all overlapping jurisdictions, including the District, consisting of District debt service tax, maintenance tax, and Contract Tax components, plus either the Drainage District tax or the LID No. 12 tax imposed upon property located with the District as contrasted with property located in comparable real estate developments, to gauge the relative tax burden on property within the District. The District is one of eleven municipal utility districts (the "Cinco MUDs") which cover approximately 5,345 acres of land. However, as discussed below, the tax rates necessary to service the debt issued or to be issued by any of the Cinco MUDs, including the Contract Tax necessary to service bonds issued by the Master District, or the Drainage District or LID No. 12, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, including the Contract Tax, will be competitive with the tax rates of competing projects. See "THE BONDS - Registered Owners' Remedies," "TAX DATA - Estimated Overlapping Taxes," and "TAXING PROCEDURES."

Increases in the District's tax rate to substantially higher levels than the rate of \$0.84 per \$100 of Assessed Valuation, consisting of the rate of \$0.40 per \$100 of Assessed Valuation for debt service on the Bonds and the Remaining Outstanding Bonds, plus a maintenance tax of \$0.195 per \$100 of Assessed Valuation, plus the Contract Tax Component of \$0.245 per \$100 of Assessed Valuation, which has been levied by the District for 2011 may have an adverse impact upon future development of the District, the maintenance of the assessed valuation of property within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

Overlapping District Taxes and Functions

As is stated above, approximately 342.747 of the approximately 442.057 acres contained within the District are located within the Willow Fork Drainage District, a drainage district which covers approximately 5,718 acres of land. The Drainage District has financed the acquisition and/or construction of certain improvements to accommodate storm water drainage within the Drainage District, including the portion of the District that is located within the Drainage District. The Drainage District is expected to finance the acquisition and/or construction of additional drainage facilities and recreational facilities in the future, including trunk storm sewer facilities constructed within the rights-of-way of major thoroughfares constructed within the boundaries of the Drainage District, with the proceeds of unlimited tax bonds to be issued in the future by the Drainage District. The Drainage District has to date issued several series of unlimited tax bonds to finance the acquisition and/or construction of facilities, and four series of unlimited tax refunding bonds to refund and defease portions of its prior issued indebtedness. As of the date of this Official Statement, \$33,170,000 in principal amount of Drainage District bonds are outstanding. The principal of and interest on Drainage District bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Drainage District. The Drainage District levied a debt service tax of \$0.13 per \$100 of Assessed Valuation for 2011, plus a maintenance tax of \$0.06 per \$100 of Assessed Valuation, for a total 2011 tax of \$0.19 per \$100 of Assessed Valuation. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Fort Bend County Levee Improvement District No. 12 is a levee improvement district which was formed to finance, own and operate major drainage outfall facilities and other facilities to serve a total of 4,045 acres, approximately 99.31 of which lie within the District. LID No. 12 issued Unlimited Tax Levee Improvement Refunding Bonds, Series 2005 and Series 2012 to refund bonds that LID No. 12 had previously issued to finance certain outfall drainage facilities which

provide drainage to a portion of the land located within LID No. 12. LID No. 12 levied a tax in 2011 of \$0.13 per \$100 of Assessed Valuation, consisting of debt service and maintenance tax components of \$0.09 and \$0.04 per \$100 of Assessed Valuation, respectively.

As is discussed in this Official Statement under the caption "THE SYSTEM - The Master District," on August 30, 1990, the District executed a Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities and Regional Water Supply and Delivery Facilities (the "Master District Contract") with Cinco Municipal Utility District No. 1 (the "Master District") for the Master District to supply the District with water and to provide wastewater treatment services to the District with the acquisition or construction of facilities (the "Master District Facilities"). The Master District Contract provides that the District and all districts party to the Master District Contract shall pay a pro rata share of debt service on Master District bonds based upon certified assessed valuation, and obligates the District to pay its pro rata share from the proceeds of ad valorem taxes levied for such purpose (the "Contract Tax") or from any other lawful source of District income. The Master District has issued several series of unlimited tax contract revenue bonds, contract revenue bonds and contract revenue refunding bonds, \$63,000,000 principal amount of which currently remains outstanding. The Master District Contract also provides for the allocation of costs to operate and maintain the Master District Facilities which are charged pro rata to the districts which are parties to the Master District Contract, currently all of the Cinco MUDs, including the District. See "INVESTMENT CONSIDERATIONS - Overlapping District Taxes and Functions."

The tax rates that may be required to service debt on any bonds issued by a municipal utility district, including the District, are subject to numerous uncertainties such as the growth of taxable values in the District, the amount of the bonds issued, regulatory approvals, construction costs and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property covered by the Cinco MUDs, including the District, plus the Contract Tax, will be competitive with the tax rates of competing projects. The District levied a debt service tax of \$0.40 per \$100 of Assessed Valuation, a maintenance tax of \$0.195 per \$100 of Assessed Valuation, and a Contract Tax of \$0.245 per \$100 of Assessed Valuation in 2011. Thus, the combined tax levies of the District and the Drainage District for 2011 applicable to the portion of the District within the Drainage District are \$1.03 per \$100 of Assessed Valuation. Such combined levy is higher than the tax rates levied by many municipal utility districts in the Houston metropolitan area, but is within the range of tax rates being levied by many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Prospective purchasers of the Bonds are reminded that the development which has occurred to date or which is planned to occur on land covered by the Cinco MUDs other than the District creates assessed valuation of property (i) against which will be levied taxes to pay debt service on bonds (a) issued by such Cinco MUDs other than the District, and (b) issued by the Willow Fork Drainage District or LID No. 12, or (ii) which comprises the basis for Contract Tax payments to be made to the Master District to pay debt service on bonds issued by the Master District. The development or lack thereof which occurs in the District and the Cinco MUDs other than the District will have an effect on the level of indebtedness and debt service payments thereon of the Drainage District, LID No. 12, and the Master District, which ultimately could affect the development of the District and the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT, THE MAINTENANCE OF THE VALUATION OF DEVELOPED PROPERTY LOCATED WITHIN THE DISTRICT, AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. SEE "INVESTMENT CONSIDERATIONS."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such delinquencies could substantially reduce the net proceeds of the District from a tax foreclosure sale. 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 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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. 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 provision for 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such judgment against the District were obtained, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced, or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditor's rights generally or by a State of Texas statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners' Rights" below. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. A district may not be forced into bankruptcy involuntarily. See "THE BONDS - Bankruptcy Limitation to Registered Owners' Rights."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. § 901-946, if the District (1) is generally authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust

such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ prior to filing for bankruptcy protection. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owners' claim against the District.

The District may not be placed into bankruptcy involuntarily.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

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

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. There has been no definitive judicial determination of the validity of these provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The District has the right to issue the remaining \$5,035,000 authorized but unissued bonds for waterworks, sanitary sewer, and drainage facilities, and \$11,012,500 for the purposes of refunding of outstanding bonds or other evidences of indebtedness (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$5,035,000 bonds for

waterworks, sanitary sewer, and drainage facilities or for refunding outstanding bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$5,035,000 bonds for waterworks, sanitary sewer, and drainage facilities is also subject to TCEQ authorization. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX EXEMPTION.”

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has the Attorney General passed upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulation

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

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

Sanctions against a municipal utility 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 TCEQ may impact new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston area (“HGB area”) – Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties – was designated by the EPA in 2008 as a severe ozone nonattainment area, with an attainment date of June 15, 2019. Such areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s “8-hour” ozone standards are met. To provide for reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limits on sources of air emissions and require any new source of significant air emissions to provide for a net reduction of air emissions. If the HGB area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA’s standards, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

In order to comply with the EPA's standards for the HGB area, the TCEQ has established a state implementation plan ("SIP") 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by June 15, 2019. 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 Utility Districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) waste water discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the Safe Drinking Water Act ("SDWA"), potable (drinking) water provided by a district to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Operations of utility districts are also potentially subject to stormwater discharge permitting requirements under the Clean Water Act and EPA and TCEQ regulations. The TCEQ issued a general permit for stormwater discharges associated with industrial activities and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007 and expires August 12, 2012; TCEQ is currently revising and renewing that permit). The TCEQ and/or EPA are expected to issue a much more stringent stormwater discharge permit in the near future. The District could incur substantial costs to develop and implement such 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.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the Clean Water Act 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 U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by an Act of the 69th Legislature of Texas, Regular Session, under House Bill No. 1087, as signed by the Governor of Texas on May 24, 1985, and confirmed at an election held within the District on August 11, 1990, by a vote of four (4) "For" to none (0) "Against." The District is vested with all of the rights, privileges, authority, and functions conferred by the Legislative Act creating the District and by the general laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate, and maintain water and wastewater facilities and improvements, and to provide for the control and diversion of storm water. The District is additionally empowered to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, to develop and finance recreational facilities, and to issue bonds for such purposes, after approval by the TCEQ and the District's voters of the District's plans in such regard. The District is also empowered to provide for solid waste disposal services. The District is subject to the continuing supervision of the TCEQ.

Description

The District contains 442.057 acres of land, including an approximately 27.527-acre tract of land that was annexed by the District on March 22, 2011. The District is located approximately 25 miles west-southwest of the central business district of the City of Houston, Texas, and entirely within Fort Bend County, Texas. The District is located approximately 4 miles south of the intersection of Interstate Highway 10 and Mason Road. Mason Road bisects the western portion of the District in a north-south direction. A portion of the District is bordered on the south by the Westpark Toll Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Houston. The District also lies entirely within the Katy Independent School District. Approximately 342.747 of the approximately 442.057 acres contained within the District are located within the Willow Fork Drainage District, and the remaining approximately 99.31 acres are located within Fort Bend County Levee Improvement No. 12. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board, consisting of five Directors, which has control over and management supervision of all affairs of the District. On October 24, 2011, the Board adopted an Order changing the date of Directors elections to May of odd-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board are identified as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires in May</u>
Douglas Brewer	President	2015
Daniel P. Coyer	Vice President	2013
Mark A. Baird	Secretary/Treasurer and Investment Officer	2015
Steven C. Haas	Assistant Secretary	2013
James A. Pearson	Assistant Vice President/ Assistant Secretary	2015

Directors Brewer, Coyer, and Haas reside within the District. Directors Baird and Pearson each own small parcels of land located within the District. The District does not have a general manager or any other full-time employees, but contracts for certain services as follows:

Utility System Operator

Severn Trent Environmental Services, Inc. has been engaged by the District to operate the District's System. Severn Trent Environmental Services, Inc. also serves as operator of the Master District's utility system and facilities, as well as the systems of Cinco MUD Nos. 1, 2, 3, 5 through 12 and 14. Severn Trent Environmental Services, Inc. serves as utility system operator for approximately 140 utility districts.

Tax Assessor/Collector

The District has engaged B & A Municipal Tax Service, LLC as the District's Tax Assessor/Collector (the "Tax Assessor/Collector"). According to B & A Municipal Tax Service, LLC, it serves as tax assessor/collector for 16 other special purpose districts. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

Bookkeeper

The District's bookkeeper is FMataska, Inc., which acts as bookkeeper for approximately 34 utility districts.

Engineer

The District's consulting engineer is Dannenbaum Engineering Corporation.

Attorney

The District has engaged Coats, Rose, Yale, Ryman & Lee, P.C., Houston, Texas, as general counsel and as bond counsel ("Bond Counsel") in connection with the issuance of the District's bonds, including the Bonds. The fees paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

Special Tax Counsel

Andrews Kurth LLP, Houston, Texas, has been employed as Special Tax Counsel in connection with the issuance of the Bonds. The fees payable to Special Tax Counsel are contingent upon the Bonds being issued, sold and delivered.

Financial Advisor

The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees 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 audit is filed with the TCEQ. The District's current auditor is McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. A copy of the District's audit for the fiscal year ended May 31, 2011, is attached as "APPENDIX B" to this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement on Auditing Standards No. 115, including the District's response thereto, is included in "APPENDIX B."

CINCO RANCH

The District is one of eleven municipal utility districts (the “Cinco MUDs”) which cover approximately 5,345 acres of land located in Fort Bend and Harris Counties, Texas. In addition to the Cinco MUDs, the Drainage District has been formed to cover approximately 5,718 acres of land, including approximately 342.747 acres of land located within the District (South Park, Section 1 and Canyon Gate, 901 total lots). The remaining approximately 99.31 District acres are located within LID No. 12, a levee improvement district formed to cover approximately 4,045 acres of land. Two gasoline service stations with convenience stores, the 300-unit The Residences at Cinco Ranch Apartments, an approximately 6,000 square foot retail shopping center, and 102 lots on approximately 25 acres of land which have been developed as Canterbury, Section 1 have been completed within such approximately 99.31 acres. In addition, the 210-unit Villas at Mason Road Apartments are currently under construction on approximately 15.66 of such approximately 99.31 acres, with completion expected in approximately January 2013. The District contains a total of 1,003 fully-developed single-family residential lots. Single-family residences have been constructed and conveyed to home purchasers on all 1,003 lots. See “Development of the District.” Development activity which has occurred to date within the Cinco MUDs and the Drainage District in addition to the aforementioned activity in the District includes the construction of (i) major outfall drainage facilities and trunk storm sewer facilities financed or to be financed by the Drainage District, (ii) water supply and trunk water distribution and wastewater treatment and trunk wastewater collection facilities financed or to be financed by Cinco Municipal Utility District No. 1 (“Cinco MUD No. 1” or the “Master District”) in its capacity as a master water and sewer district (see “THE SYSTEM -The Master District”) and, (iii) lot development activity within Cinco MUD Nos. 1 through 3, 5 through 10, 12 and 14 consisting of a total in excess of 10,009 developed residential lots which contain in excess of 10,000 single-family residential connections.

Amenities which have been developed as part of the Cinco Ranch development but which are not included within the boundaries of the District include (i) the 18-hole Willow Fork Country Club and Golf Course, which has been developed on approximately 174 acres of land located in Cinco MUD Nos. 3, 5 and 6 and which includes an approximate 16,000 square foot clubhouse, pro shops, nine lighted tennis courts, and a swimming pool, and (ii) the 18-hole The Golf Club at Cinco Ranch, which has been developed on approximately 200 acres of land located in Cinco MUD No. 2 and the adjoining Cornerstones Municipal Utility District (the latter of which is not a part of the Cinco MUDs), and includes an approximately 10,600 square foot clubhouse. Other amenities developed as part of Cinco Ranch include an 18-acre lake system, beach club, and swimming lagoon; six lighted tennis courts; an extensive greenbelt system; five recreation centers with swimming pools; and a 2,900 square foot visitors center and central sales office. The University of Houston West Houston Institute at Cinco Ranch has been constructed on an approximately 12-acre site located within one of the Cinco MUDs, and the Katy Independent School District owns approximately 242 acres located within the Cinco MUDs on which it has constructed a senior high school, four junior high schools, six elementary schools, administrative offices, and a transportation facility. Additionally, a Fort Bend County library and a YMCA facility have been constructed in Cinco Ranch. Other commercial development in Cinco Ranch includes a Kroger Center, Super Target Center, Lifetime Fitness Center, La Centerra town center development, six apartment complexes, multiple medical/dental offices, an assisted living facility, multiple churches, and many other retail establishments including restaurants, pharmacies, and banks. The portions of the aforementioned development that are located within the District are described below under the caption “DEVELOPMENT OF THE DISTRICT.”

DEVELOPMENT OF THE DISTRICT

Land development activity which has occurred in the District to date includes the completion of the development of 1,003 single-family residential lots on approximately 270.5 acres. Single-family residences have been completed and sold to home purchasers on all 1,003 lots. Such 1,003 family residences have been constructed in the residential subdivisions of South Park, Section 1; Canyon Gate, Sections 1 through 8; and Canterbury, Section 1. In addition, an approximately 21.8-acre tract of land located within the District has been provided perimeter trunk water distribution, wastewater collection and storm sewer facilities and street paving. Two gasoline service stations with convenience stores, the 300-unit The Residences at Cinco Ranch Apartments, and an approximately 6,000 square foot retail shopping center have been constructed on such tract. The 210-unit Villas at Mason Road Apartments are currently under construction on an approximately 15.66-acre tract of land located within the District, with completion expected in approximately January 2013.

The District financed its cost of acquiring and constructing the internal water distribution, wastewater collection, and storm sewer facilities to serve South Park, Section 1; Canyon Gate, Sections 1 through 8; Canterbury, Section 1; and other property with portions of the proceeds of the sale of the Outstanding Bonds.

An aggregate of approximately 84 acres located within the District is located within street or drainage rights-of-way or is otherwise currently anticipated to be not available for development. A church has been constructed on approximately 10 acres in the District. An aggregate of approximately 4.14 acres of land located within the District has been provided with perimeter trunk water distribution, wastewater collection and storm sewer facilities and is available for the construction of future above-ground improvements. On March 22, 2011, the District annexed an undeveloped tract of land totalling approximately 27.527 acres that is owned by JAC Interest, Ltd., Cummins Family Trust, and Cummins Children's Trust. Such approximately 27.527 acres is expected to be developed for future commercial or multi-family use. Since no owner of any of the currently undeveloped land located in the District is under any obligation to the District to develop any of such land, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. See "FUTURE DEVELOPMENT."

THE DISTRICT'S TAX IS LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT, THE MAINTENANCE OF THE VALUATION OF DEVELOPED PROPERTY LOCATED WITHIN THE DISTRICT, AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. SEE "INVESTMENT CONSIDERATIONS."

Lot Development and Home Construction

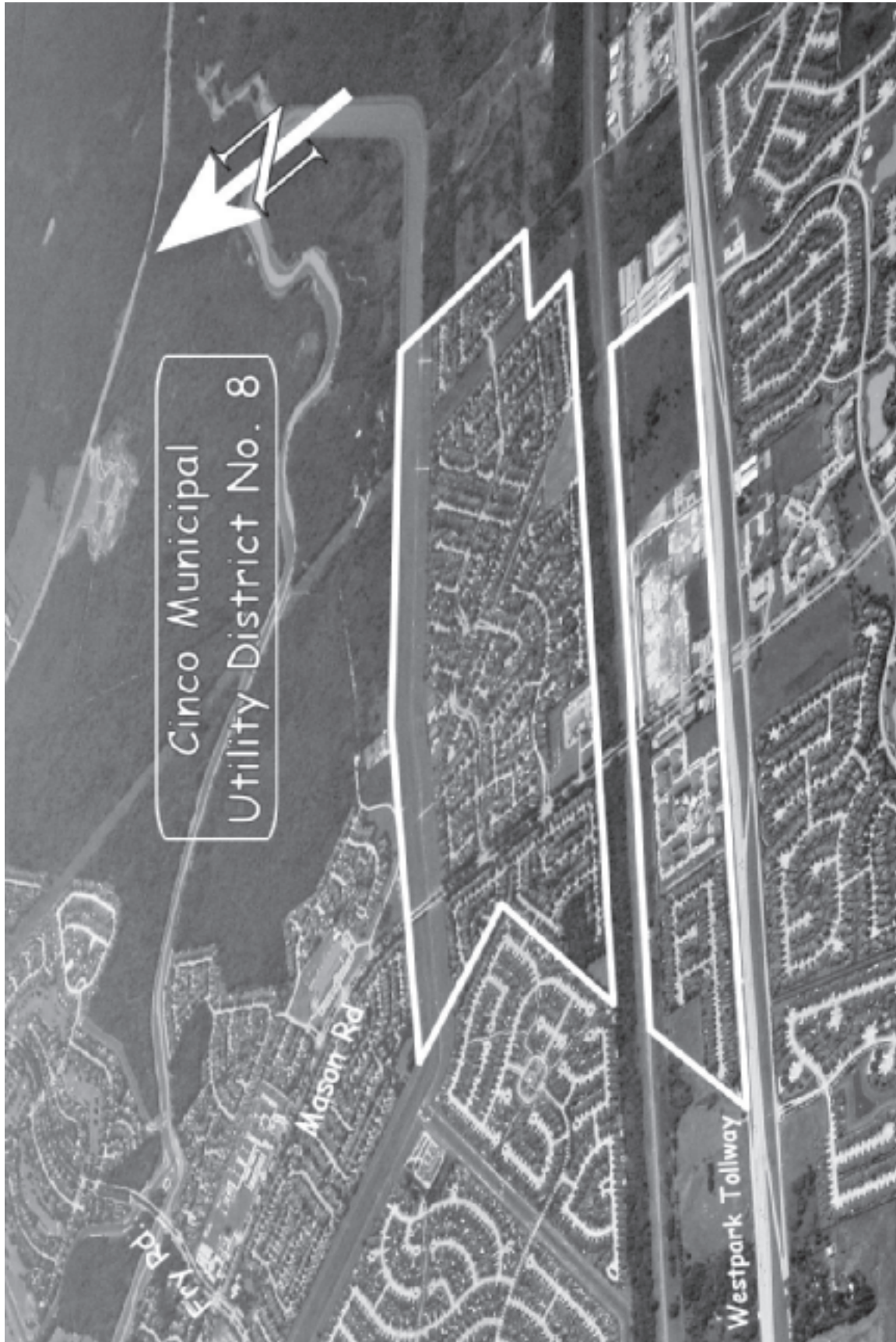
The status of home construction in the District is as follows:

	Lots				Homes				
	Fully Developed				Under Development				
	Completed		Under Construction						
Subdivision	Lots	Acres	Lots	Acres	Sold	Unsold	Sold	Unsold	Totals
South Park									
Section 1	180	45.8			0	0	180	0	180
Canyon Gate									
Section 1	150	47.1			0	0	150	0	150
Section 2	210	47.9			0	0	210	0	210
Section 3	117	29.1			0	0	117	0	117
Section 4	72	23.5			0	0	72	0	72
Section 5	73	18.6			0	0	73	0	73
Section 6	39	12.4			0	0	39	0	39
Section 7	56	19.9			0	0	56	0	56
Section 8	4	1.1			0	0	4	0	4
Canterbury									
Section 1	102	25.1	—	—	0	0	102	0	102
TOTALS	1,003	270.5	0	0	0	0	1,003	0	1,003

FUTURE DEVELOPMENT

Approximately 4.14 acres located within the District that are expected to be utilized for future multi-family and commercial development have been provided perimeter trunk water distribution, wastewater collection, and storm sewer facilities. On March 22, 2011, the District annexed an undeveloped tract of land totalling approximately 27.527 acres that is owned by JAC Interest, Ltd., Cummins Family Trust, and Cummins Children's Trust. Such approximately 27.527 acres is expected to be developed for future commercial or multi-family use. An aggregate of approximately 84 acres located within the District is located within greenbelts, street, drainage, or other rights-of-way, is designated as wetlands, or is otherwise not available or is expected to be not available for development. None of the owners of any of the aforementioned currently undeveloped acres located in the District has reported any definitive development plan to the District covering any of such acres. Since no owner of any of the currently undeveloped land located in the District is under any obligation to the District to develop any of such land, the District cannot predict when, or whether, any of such currently undeveloped acres located within the District might be developed. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes, or of any party to develop a commercial or multi-family project as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, sanitary sewer, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions as required by the TCEQ. The District's Engineer estimates that the \$5,035,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt." The owners of such undeveloped tracts are under no obligation to complete any development, if begun, and may modify or discontinue development plans at their sole discretion. Accordingly, the District makes no representation that future development will occur. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken May 2012)



PHOTOGRAPHS WITHIN THE DISTRICT
(taken May 2012)



PHOTOGRAPHS WITHIN THE DISTRICT
(taken May 2012)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds less the debt service requirements on the Refunded Bonds plus the principal and interest requirements of the Bonds.

<u>Year</u>	<u>Current Total Debt Service Requirements</u>	<u>Less: Debt Service on Refunded Bonds</u>	<u>Plus: - The Bonds - Principal (Due 9/1)</u>	<u>Interest</u>	<u>Total New Debt Service Requirements</u>
2012	\$ 782,248	\$ 112,554	\$ 75,000	\$ 29,858	\$ 774,552
2013	776,345	225,108	20,000	177,650	748,888
2014	778,389	225,108	20,000	177,250	750,531
2015	784,826	485,108	280,000	176,850	756,569
2016	785,038	489,188	290,000	168,450	754,300
2017	784,150	482,500	290,000	159,750	751,400
2018	787,660	480,460	300,000	151,050	758,250
2019	789,600	487,700	315,000	142,050	758,950
2020	790,505	488,905	325,000	132,600	759,200
2021	790,193	489,280	340,000	119,600	760,513
2022	793,668	488,980	350,000	106,000	760,688
2023	795,650	392,650	270,000	92,000	765,000
2024	792,031	389,931	280,000	81,200	763,300
2025	797,050	386,750	285,000	70,000	765,300
2026	794,455	387,000	295,000	58,600	761,055
2027	800,155	386,500	310,000	46,800	770,455
2028	799,123	390,250	325,000	34,400	768,273
2029	801,335	588,000	535,000	21,400	769,735
2030	<u>810,650</u>				<u>810,650</u>
	\$15,033,071	\$7,375,972	\$4,905,000	\$1,945,508	\$14,507,609

Average Annual Requirements: (2012-2030) \$763,558

Maximum Annual Requirement: (2030) \$810,650

See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payment - Maximum Impact on District Tax Rates" and "TAX DATA - Tax Rate Calculations" for a discussion of the District's projected tax rates and the effect of the Bonds thereon.

Bonded Indebtedness

2011 Assessed Valuation	\$199,997,863(a)
(As of January 1, 2011)	
See "TAX DATA" and "TAXING PROCEDURES"	
2012 Preliminary Valuation	\$220,861,815(b)
(As of January 1, 2012)	
See "TAX DATA" and "TAXING PROCEDURES"	
Direct Debt	
Remaining Outstanding Bonds	\$ 5,140,000
The Bonds	<u>4,905,000</u>
Total	\$ 10,045,000
Estimated Overlapping Debt	<u>\$ 18,965,621</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 29,010,621</u>
Direct Debt Ratios	
: as a percentage of 2011 Assessed Valuation	5.02%
: as a percentage of 2012 Preliminary Valuation	4.55%
Direct and Estimated Overlapping Debt Ratios	
: as a percentage of 2011 Assessed Valuation	14.51%
: as a percentage of 2012 Preliminary Valuation	13.14%
Debt Service Fund Balance Estimated As of Delivery of the Bonds	\$ 990,192(c)
General Fund Balance at May 22, 2012	\$ 3,749,936
2011 Tax Rate	
The District	
District Debt Service Tax	\$0.400
Contract Tax	0.245
Maintenance Tax	<u>0.195</u>
Willow Fork Drainage District	<u>0.19(d)</u>
Total	\$1.03/\$100 A.V.(d)

- (a) As of January 1, 2011. All property in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board").
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2012, as reflected on the District's preliminary 2012 tax roll supplied to the District by the Appraisal District. The District's ultimate 2012 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certify the value thereof for 2012.
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the payment by the District of the entirety of the District's debt service payments that were due on March 1, 2012, on the Outstanding Bonds, and the contribution by the District of \$8,000 to the refunding of the Refunded Bonds. The District's remaining debt service requirements for 2012, which are due on September 1, 2012, total \$552,477, and consist of principal of and interest payments on the Remaining Outstanding Bonds plus a principal payment of \$75,000 and a two-month interest payment on the Bonds.

- (d) The District levied a debt service tax of \$0.40 per \$100 of Assessed Valuation for 2011 to cover the District's direct bonded indebtedness, plus a maintenance tax of \$0.195 per \$100 of Assessed Valuation. The District is obligated to pay a pro rata share of debt service on Master District bonds from the proceeds of ad valorem taxes levied for such purpose (the "Contract Tax") or from any other source of District income. The District levied a Contract Tax in 2011 of \$0.245 per \$100 of Assessed Valuation. A portion of the property located in the District is served by the Willow Fork Drainage District (the "Drainage District") and is subject to taxation by the Drainage District. The Drainage District levied a tax of \$0.19 per \$100 of Assessed Valuation for 2011, including a maintenance tax of \$0.06 per \$100 of Assessed Valuation. With the aforementioned 2011 Drainage District tax rate of \$0.19 per \$100 of Assessed Valuation, the 2011 combined tax levies of the District and the Drainage District were \$1.03 per \$100 of Assessed Valuation. Such combined levy is higher than the tax rates levied by many municipal utility districts in the Houston metropolitan area, but is within the range of tax rates being levied by many municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. The portion of the District not within the Drainage District is within Fort Bend County Levee Improvement District No. 12, which levied a tax in 2011 of \$0.13 per \$100 of Assessed Valuation, resulting in combined tax levies by the District and LID No. 12 of \$0.97 per \$100 of Assessed Valuation. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Value and Tax Payments" and - "Overlapping District Taxes and Functions."

Estimated Direct and Overlapping Debt Statement

The following table indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain entities listed below may have issued additional bonds since the dates cited.

	<u>Debt as of June 1, 2012</u>	<u>Overlapping(a)</u>	
		<u>Percent</u>	<u>Amount</u>
Cinco MUD No. 1 (a)	\$ 63,000,000	6.5860%	\$ 4,138,200
Katy ISD	1,042,141,063	0.9841	10,255,646
Fort Bend County	487,365,000	0.4999	2,436,225
Willow Fork Drainage District (b)	33,170,000	4.9304	1,635,402
Fort Bend County Levee Improvement District No. 12 (c)	15,125,000	3.3068	<u>500,148</u>
Total Estimated Overlapping Debt			\$18,965,621
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>10,045,000</u>
Total Direct and Estimated Overlapping Debt			<u>\$29,010,621</u>

- (a) Cinco Municipal Utility District No. 1 (the "Master District") has issued several series of Unlimited Tax Contract Revenue Bonds and Contract Revenue Refunding Bonds. As of the date of this Official Statement, \$63,000,000 principal amount of Master District Bonds are outstanding. The underlying Cinco MUDs (the "Participant" or "Participants"), including the District, have contracted to levy a tax sufficient to pay the debt service requirements of the Master District's outstanding debt. The 2011 Contract Tax levy for the District is \$0.245 per \$100 of Assessed Valuation.

- (b) The Drainage District has to date issued several series of Unlimited Tax Bonds and Unlimited Tax Refunding Bonds. As of the date of this Official Statement, \$33,170,000 principal amount of Drainage District bonds are outstanding. The Drainage District has levied a tax for 2011 of \$0.19 per \$100 of Assessed Valuation.
- (c) LID No. 12 is a levee improvement district which was formed to finance, own and operate major drainage outfall facilities and other facilities to serve a total of 4,045 acres, approximately 99.31 of which lie within the District. LID No. 12 has issued Unlimited Tax Levee Improvement Refunding Bonds, Series 2005 and Series 2012 to refund bonds that LID No. 12 had previously issued to finance certain outfall drainage facilities that provide drainage to a portion of the land located within LID No. 12. LID No. 12 has levied a tax for 2011 of \$0.13 per \$100 of Assessed Valuation.

Debt Ratios

Direct Debt:

: as a percentage of 2011 Assessed Valuation	5.02%
: as a percentage of 2012 Preliminary Valuation	4.55%

Direct and Estimated Overlapping Debt

: as a percentage of 2011 Assessed Valuation	14.51%
: as a percentage of 2012 Preliminary Valuation	13.14%

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). See "TAXING PROCEDURES." Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due when billed and become delinquent after January 31 of the following year. The Board covenants in the Bond Resolution to assess, levy and collect for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. See "THE BONDS" and "INVESTMENT CONSIDERATIONS." The District has levied a tax for debt service for 2011 at a rate of \$0.40 per \$100 of assessed valuation. In addition, the District has levied a maintenance tax (see "Maintenance Tax" below) in the amount of \$0.195 per \$100 of Assessed Valuation, and the Contract Tax (see "Contract Tax" below) in the amount of \$0.245 per \$100 of Assessed Valuation in 2011.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	\$0.50 per \$100 Assessed Valuation.
Contract:	Unlimited (no legal limit as to rate or amount).

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. On August 11, 1990, the Board was authorized by a vote of the District's electors to levy such maintenance tax in an amount not to exceed \$0.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax in 2011 of \$0.195 per \$100 of Assessed Valuation.

Contract Tax

Property within the District is also subject to a Contract Tax. The Master District Facilities have been constructed with funds provided by the proceeds of bonds which have been heretofore issued by the Master District and which are expected to be issued by the Master District in the future. The Master District is authorized to issue contract revenue bonds sufficient to complete acquisition and construction of the Master District Facilities. The pro rata share of all Cinco MUDs which are parties to similar Master District Contracts (the "Participating District(s)"), including the District, of the debt service requirements on the Master District's contract revenue bonds shall be determined by dividing the Participating District's certified assessed valuation by the cumulative total of the certified assessed valuation of all the Participating Districts. The Master District Contract obligates each Participating District, including the District, to pay its pro rata share of debt service requirements on the Master District contract revenue bonds from the proceeds of the levy of a Contract Tax, revenues derived from the operation of such Participating District's water distribution and wastewater collection system or from any other legally available funds of the Participating District. The Master District has issued several series of unlimited tax contract revenue bonds, contract revenue bonds and contract revenue refunding bonds, \$63,000,000 of which currently remains outstanding. The District levied a Contract Tax in 2011 at a rate of \$0.245 per \$100 of Assessed Valuation. See "INVESTMENT CONSIDERATIONS - District Tax Levy and Overlapping District Taxes and Functions" and "THE SYSTEM - The Master District."

Historical Values and Tax Collection History

The following statement of tax collection sets forth in condensed form the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current Year(b)</u>	<u>Year Ending 9/30</u>
2001	\$118,221,342	\$0.970	\$1,146,751	100.00%	2002
2002	143,411,733	0.950	1,362,414	100.00	2003
2003	153,980,663	0.940	1,447,413	100.00	2004
2004	159,512,217	0.940	1,499,410	99.88	2005
2005	162,408,224	0.910	1,477,910	99.88	2006
2006	161,500,110	0.900	1,453,497	99.87	2007
2007	166,250,150	0.890	1,479,621	99.88	2008
2008	180,933,588	0.840	1,519,838	99.82	2009
2009	191,099,410	0.840	1,605,231	99.74	2010
2010	196,827,285	0.850	1,673,032	99.41	2011
2011	199,997,863	0.840	1,679,982	97.89(c)	2012

(a) Per \$100 of Assessed Valuation. See "Tax Rate Distribution" below.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2012. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) As of April 30, 2012. In process of collection.

Analysis of Tax Base

The following table illustrates the composition of property located with the District for the past five years.

<u>Type of Property</u>	2011		2010		2009	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$ 51,603,390	25.80	\$ 48,149,380	24.46%	\$ 48,901,990	25.59%
Improvements	150,594,930	75.30	150,658,510	76.54	144,402,900	75.56
Personal Property	2,384,155	1.19	2,419,470	1.23	2,152,050	1.13
Auto	1,218,140	0.61	1,172,610	0.60	1,177,700	0.62
Less Exemptions	<u>(5,802,752)</u>	<u>(2.90)</u>	<u>(5,572,685)</u>	<u>(2.83)</u>	<u>(5,535,230)</u>	<u>(2.90)</u>
Total	\$199,997,863	100.00%	\$196,827,285	100.00%	\$191,099,410	100.00%

<u>Type of Property</u>	2008		2007	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$ 46,656,990	25.79%	\$ 37,491,560	22.55%
Improvements	135,999,480	75.17	129,090,620	77.65
Personal Property	2,235,910	1.24	1,849,440	1.11
Auto	1,096,119	0.61	967,650	0.58
Less Exemptions	<u>(5,054,911)</u>	<u>(2.79)</u>	<u>(3,149,120)</u>	<u>(1.89)</u>
Total	\$180,933,588	100.00%	\$166,250,150	100.00%

Tax Rate Distribution

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Service Tax	\$0.400	\$0.405	\$0.405	\$0.355	\$0.385
Maintenance Tax	0.195	0.195	0.195	0.215	0.215
Contract Tax	<u>0.245</u>	<u>0.250</u>	<u>0.240</u>	<u>0.270</u>	<u>0.290</u>
Total	\$0.840	\$0.850	\$0.840	\$0.840	\$0.890

Principal 2011 Taxpayers

The following table lists, from information supplied by the District's Tax Assessor/Collector, principal District property owners, type of property owned by such property owners, and the Assessed Valuation of such property as enumerated on the District's 2011 tax roll:

<u>Property Owners</u>	<u>Type of Property</u>	<u>2011 Assessed Valuation</u>	<u>Percentage of 2011 Tax Roll</u>
The Residences at Cinco Ranch LLC	Land and Improvements	\$18,501,920	9.25%
Mason Road Partners, LLC	Land	2,700,720	1.35
McMason Partners LP	Land and Improvements	1,396,140	0.70
Miles Facilities Partnership LP	Land and Improvements	1,260,640	0.63
Centerpoint Energy Electric	Personal Property	985,640	0.49
West Houston 100 Ltd.	Land	968,560	0.48
NTNH LLC	Land and Improvements	938,070	0.47
Ellen Lloyd Cummins	Land	745,310	0.37
Cummins Family 1992 Trust	Land	745,310	0.37
West Mason Corp	Land	535,790	0.27
		<u>\$28,778,100</u>	<u>14.39%</u>

Exemptions

The District has adopted a residential homestead exemption of \$15,000 for persons 65 years or older and certain disabled persons. The Texas Tax Code authorizes the governing body of each political subdivision of the State to exempt up to twenty percent (20%) of the market value of residential homesteads from ad valorem taxation. See "TAXING PROCEDURES - Property Subject to Taxation by the District - Residential Homestead Exemptions." The District's Board of Directors has not granted the residential homestead exemption.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2011 Assessed Valuation or the 2012 Preliminary Valuation. The calculations assume collection of 95% of taxes levied, the sale of no bonds by the District except the Bonds and the Outstanding Bonds and no use of other legally available District funds. As is illustrated above under the caption -"Historical Values and Tax Collection History," the District has collected an average of 99.85% of its tax levies for the period 2001 through 2010, and its 2011 tax was 97.89% collected as of April 30, 2012. Moreover, the District has in the past applied certain funds which are legally available to the District in addition to tax collections, including the proceeds of the investment of monies held in its Debt Service Fund, to debt service. See "APPENDIX B - ANNUAL FINANCIAL REPORT."

Average Annual Debt Service Requirements (2012-2030)	\$763,558
Tax Rate of \$0.41 on the 2011 Assessed Valuation (\$199,997,863) produces	\$778,992
Tax Rate of \$0.37 on the 2012 Preliminary Valuation (\$220,861,815) produces	\$776,329
Maximum Debt Service Requirement (2030)	\$810,650
Tax Rate of \$0.43 on the 2011 Assessed Valuation (\$199,997,863) produces	\$816,991
Tax Rate of \$0.39 on the 2012 Preliminary Valuation (\$220,861,815) produces	\$818,293

The District levied a debt service tax in 2011 of \$0.40 per \$100 of Assessed Valuation, plus a maintenance tax of \$0.195 per \$100 of Assessed Valuation. The District also levied a Contract Tax of \$0.245 per \$100 of Assessed Valuation for 2011 (see “Contract Tax” above.) As the above table indicates, a debt service tax rate of \$0.40 per \$100 of Assessed Valuation is sufficient to pay the maximum annual and the average annual debt service requirements on the Bonds and the Remaining Outstanding Bonds, assuming District collections of 95% of such levy, no use of other available District funds, including earnings from the investment of funds held in the District’s Debt Service Fund, and the issuance of no additional bonds by the District other than the Bonds and the Outstanding Bonds. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.”

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, as of January 1 of each year, a lien is created upon the property which is to be taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are the 2011 tax rates per \$100 of assessed valuation levied by jurisdictions within which the District is included, plus the 2011 tax rate levied by the District. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2011 Tax Rate/\$100</u>
Katy ISD	\$1.52660
Fort Bend County	0.49976
Willow Fork Drainage District (a)(b)	0.19000
Harris-Fort Bend Emergency Services District No. 100	0.09000
The District (c)	<u>0.84000</u>
TOTAL TAX RATE	\$3.14636

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- (a) The Drainage District has to date issued several series of Unlimited Tax Bonds and Unlimited Tax Refunding Bonds. As of June 1, 2012, \$33,170,000 principal amount of Drainage District bonds are outstanding. The Drainage District has levied a total tax of \$0.19 per \$100 of Assessed Valuation for 2011.
- (b) LID No. 12 is a levee improvement district which was formed to finance, own and operate major drainage outfall facilities and other facilities to serve a total of 4,045 acres, approximately 99.31 of which lie within the District. LID No. 12 has issued Unlimited Tax Levee Improvement Refunding Bonds, Series 2005 and Series 2012 to refund bonds that LID No. 12 had previously issued to finance certain outfall drainage facilities that provide drainage to a portion of the land located within LID No. 12. LID No. 12 has levied a tax for 2011 of \$0.13 per \$100 of Assessed Valuation. As of June 1, 2012, \$15,125,000 principal amount of the LID No. 12 bonds are outstanding. The total of the tax rates levied by all entities upon such acres that lie within LID No. 12 for 2011 is \$3.08636 per \$100 of Assessed Valuation.
- (c) Cinco Municipal Utility District No. 1 (the “Master District”) has issued several series of Unlimited Tax Contract Revenue Bonds, Contract Revenue Bonds, and Contract Revenue Refunding Bonds. As June 15, 2011, \$63,000,000 principal amount of Master District Bonds are outstanding. The underlying Cinco MUDs (the “Participant” or “Participants”), including the District, have contracted to levy a tax sufficient to pay the debt service requirements of the Master District’s outstanding debt. The 2011 Contract Tax levy for the District is \$0.245 per \$100 of Assessed Valuation and is included in the District’s total tax levy.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District in sufficient amount 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 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 above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in an amount not to exceed \$0.50 per \$100 of Assessed Valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Fort Bend Central Appraisal District ("FBCAD" or the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. Partially exempt to the maximum extent of between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Totally exempt is property owned by a veteran who receives a disability rating of 100%. Additionally, effective January 1, 2012, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$10,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor 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. The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons for 2011 in an amount of \$15,000 of assessed value.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation may be made that the Board will not determine to grant such exemption in the future.

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 the tax year 2012 and subsequent years.

Fort Bend County may designate all or part of the area within the District as a reinvestment zone, and the District, Fort Bend County, or the Katy Independent School District, may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

County-Wide Appraisal District

The Texas Tax Code (the “Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the FBCAD. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Fort Bend County, including the District, are included in the FBCAD. FBCAD is responsible for appraising property within the District, subject to review by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Fort Bend County at an election held for such purpose, determines to transfer such functions to the FBCAD or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. See “TAX DATA - Principal 2011 Taxpayers.” The Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the FBCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Tax Code permits land designated for agricultural use 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. Provisions of the Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including for three years for agricultural use and for five years for open space and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable, to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

After the District receives the certified appraisal roll, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code.

The Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. The date of the delinquency may be postponed if the tax bills are

mailed after September 30 (if the Board has authorized discounts for early payment) or otherwise after January 10. So long as the Board has not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Board may permit payment without penalty or interest of the final tax installment by July 1, if one-half of taxes assessed for the current year are paid prior to December 1. The Board may approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, the Board may impose a further penalty on all taxes, penalties, and interest unpaid on July 1 which is used to defray the cost of engaging an attorney for collection of delinquent taxes.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on 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 taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other state and local jurisdictions levying taxes on property within the District. 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. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state, and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

THE SYSTEM

Description of the System and Regulation

The District has financed the acquisition of the water, wastewater, and drainage facilities (the "System") described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT" with the proceeds of the sale of the Outstanding Bonds. Such facilities include water distribution, wastewater collection, and storm drainage facilities to serve South Park, Section 1; Canyon Gate, Sections 1 through 8; Canterbury, Section 1; and other property located within the District. Such facilities have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, Fort Bend County, the Fort Bend County Drainage District and the City. According to the District's Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

The total number of connections currently estimated for the District upon the full development of its approximately 442.057 acres is 1,310 with a total estimated population of 3,427 people.

Willow Fork Drainage District

Approximately 342.747 acres of the total District acreage of 442.057 acres lies within the Willow Fork Drainage District. The Drainage District includes approximately 5,718 acres of land, including approximately 5,267 acres located within the Cinco MUDs. The Drainage District has financed the construction of certain outfall drainage improvements to accommodate storm water drainage within the Drainage District, including the District.

According to the Drainage District's Engineer, the drainage improvements constructed with the proceeds of the Drainage District's bonds serve approximately 5,267 net developable acres within the Drainage District with major outfall drainage and serve approximately 4,650 net developable acres with major storm sewer facilities. The Drainage District constructed sufficient drainage capacity in Willow Fork of Buffalo Bayou and the associated diversion channel to serve the Drainage District at full development based upon existing regulatory criteria. By agreement between the Drainage District and Fort Bend County Drainage District dated October 10, 1988, Fort Bend County Drainage District assumed the permanent maintenance and operational responsibilities for Willow Fork of Buffalo Bayou.

Fort Bend County Levee Improvement District No. 12

Fort Bend County Levee Improvement District No. 12 is a levee improvement district which was formed to finance, own and operate major drainage outfall facilities and other facilities to serve a total of 4,045 acres, approximately 99.31 of which lie within the District. LID No. 12 has constructed an outfall drainage ditch and other facilities which provide drainage to a portion of the land located within LID No. 12. Two gasoline service stations with convenience stores, the 300-unit The Residences at Cinco Ranch Apartments, an approximately 6,000 square foot retail shopping center and the 102 lots that have been developed as Canterbury, Section 1 have been completed and the 210-unit Villas at Mason Road Apartments are currently under construction within such approximately 99.31 acre portion of the District that is also located within LID No. 12.

100-Year Flood Plain

According to the Engineer, the Flood Hazard Boundary Map currently in effect published by the Federal Emergency Management Agency (dated January 3, 1997) which covers the land located in the Drainage District indicates that none of the land located in the Drainage District is located within the 100-year flood plain, except the area contained within the banks of drainage channels. In response to the Tropical Storm Allison Recovery Project, the Drainage District's engineer has been engaged by the Drainage District to perform an updated drainage study of the Drainage District's service area. Preliminary results of this study indicate that the 100-year flood plain may extend outside the banks of drainage channels in the Drainage District's service area in several locations, none of which is currently believed to be located within the District. While final results are not yet known, it is anticipated that not more than approximately 100 residential lots/homes (or less than one percent (1%) of the Drainage District's single-family homes) could be affected, of which no lots/homes are currently believed to be located within the District. The study is completed and has been forwarded to the Fort Bend County Drainage District for remapping, but such remapping has not yet been completed; therefore, the District and Drainage District cannot predict what action, if any, it will take to modify its drainage system until the Fort Bend County Drainage District has completed such action.

The Federal Emergency Management Agency has commissioned a study to reevaluate the "base flood elevation" (commonly referred to as the 100-year flood plain elevation) in Fort Bend County. The study has not been concluded but preliminary maps released in 2010 continued to indicate that no land within the District is located within the 100-year flood plain. If the study concludes that the level of the 100-year flood plain is substantially higher than current standards, land currently mapped outside the flood plain could be remapped inside the flood plain, and remedial actions may be required that could have a material adverse impact on the District. Remedial actions could require the removal of property from the flood plain by the way of ditch or other improvements.

The 100-year flood plain is a hypothetical engineering and meteorological concept that defines a geographical area that would supposedly be flooded by a rain storm in intensity statistically expected to occur no more frequently than once every 100 years. 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 subsidies. 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. If substantial or frequent flooding of homes were to occur in the Drainage District or LID No. 12, including the area of the District, the maintenance of or the future growth of property values in the Drainage District, LID No. 12 and the District could be adversely affected.

Subsidence and Conversion to Surface Water Supply

The service area of the Master District, including the District, is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The Master 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. In 2005, the Texas legislature created the North Fort Bend Water Authority (the "Authority") to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the District) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("the City") to obtain treated surface water from the City. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The Master District is included within the Authority's GRP.

The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees imposed on the District for groundwater pumped by the District), user fees, rates, charges, and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the Master District, to convert from groundwater to surface water. The Authority currently charges the Master District, and other major groundwater users, \$1.50 per 1,000 gallons based on the amount of groundwater pumped. The Authority has issued \$283,500,000 in revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue a substantial amount of bonds by the year 2025 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total water demand of the water users within the Authority's GRP, beginning January 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total water demand of the water users within the Authority's GRP, beginning January 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty of \$3.25 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the Master District. If the Master District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the Master District.

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

The Master District

All of the Cinco MUDs, including the District, have executed a “Contract for Financing and Operation of Master Waste Collection, Treatment and Disposal Facilities and Master Water Supply and Delivery Facilities” (the “Master District Contract”) with Cinco Municipal Utility District No. 1 (the “Master District”). The Master District Contract has been approved by the voters of all of the Cinco MUDs. The Master District Contract provides that all districts which are currently party to the Master District Contract and all other districts that execute similar contracts with the Master District (the “Participating District(s)”) shall pay a pro rata share of debt service on Master District bonds based upon certified assessed valuation, and obligates each Participating District to pay its pro rata share from the proceeds of ad valorem taxes levied for such purpose (the “Contract Tax”) or from any other legally available funds of the Participating District. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District Facilities (hereinafter defined) have been constructed with funds provided by the proceeds of contract revenue bonds heretofore issued by the Master District, and it is anticipated that additional funds will be provided from the proceeds of contract revenue bonds expected to be issued by the Master District in the future, if any. The Master District is authorized to issue contract revenue bonds sufficient to complete the acquisition and construction of the Master District Facilities. The pro rata share of all Participating Districts of the debt service requirements on the Master District's contract revenue bonds shall be determined by dividing the Participating District's certified assessed valuation by the cumulative total of the certified assessed valuation of all the Participating Districts. The Master District Contract obligates each Participating District to pay its pro rata share of debt service requirements on the Master District contract revenue bonds from the proceeds of the Contract Tax, revenues derived from the operation of each such Participating District's water distribution and wastewater collection system or from any other legally available funds of such Participating District. The Master District has issued several series of unlimited tax contract revenue bonds and contract revenue bonds to finance the acquisition and/or construction of facilities, and contract revenue refunding bonds to refund and defease portions of its prior issued indebtedness, \$63,000,000 of which are outstanding. To finance the acquisition or construction of Master District Facilities, the Master District is expected to issue additional bonds in the future. As is described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS - Overlapping District Taxes and Functions,” the Contract Tax has been levied in 2011 by the District at a rate of \$0.245 per \$100 of Assessed Valuation.

The Master District will own and operate the Master District's trunk wastewater collection system, the Master District's trunk water distribution system, the water supply system, and the wastewater treatment system (all hereinafter referred to collectively as the “Master District Facilities”). Each Cinco MUD within the service area will own and operate the internal water distribution, wastewater collection, and storm drainage lines within such district. The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Master District. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the District, the Participating Districts have the right, pursuant to the Master District Contract, to design, acquire, construct, or expand the Master District Facilities needed to provide service to such Participating District, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by the Participating District for such Master District Facilities.

The Participating Districts are further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract. The monthly charges to be paid by each Participating District to the Master District will be used to pay the Participating District's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three months of operation and maintenance expenses. Each Participating District's share of operation and maintenance expenses and reserve requirements is based upon a “unit cost” of operation and maintenance expenses and reserve requirements and is calculated by the Master District and expressed in terms of “cost per equivalent single-family residential connection.” The monthly payment to the Master District for operation and maintenance expenses is calculated by multiplying the number of equivalent single-family residential connections reserved to the Participating District on the first day of the previous month by the unit cost per equivalent single-family residential connection. Such payment is currently \$22.00 per equivalent single-family residential

connection. In order to pass-through the surface water pumpage fee imposed by the Authority, the Master District has imposed an additional \$15.50 charge per equivalent single-family connection to each Participant. The District issued its Series 2010 Bonds to finance the District's capital contribution to the Authority for construction of surface water transmission facilities. Therefore, the District receives a monthly credit from the Authority in the amount of \$11,115. According to the Authority, the District will receive such credit on a monthly basis through the year 2035.

Pursuant to the Master District Contract, the Participating Districts are obligated to establish and maintain rates, fees and charges for services provided by such district's wastewater collection system and water delivery system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay the Participating District's operation and maintenance expenses, and the Participating District's obligations pursuant to the Master District Contract, including such Participating District's pro rata share of the Master District's debt service requirements and the Master District's monthly charges. All sums payable to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension, or diminution. If the Participating District fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District Facilities by the Participating District in addition to the Master District's other remedies. As a practical matter, the Participating Districts have no alternative provider of these services rendered by the Master District under the Master District Contract.

Water Supply Facilities

The Master District's water distribution facilities consist of trunk water distribution lines ranging in size from 12-inch to 30-inch diameter pipe, generally located within the rights-of-way of the following major thoroughfares within the District: Texas State Highway 99, Cinco Ranch Boulevard, Peek Road, Highland Knolls Boulevard, Fry Road, Mason Road, and Westheimer Parkway. These water distribution facilities distribute water from the Master District's Water Supply Facilities to the internal distribution facilities which have been constructed within each Cinco MUD. The Master District's water supply facilities consist of twelve wells rated a total of 15,790 gallons-per-minute ("g.p.m."); ground storage tanks totalling 5,570,000 gallons of capacity, booster pumps with a total capacity of 26,900 g.p.m., 80,000 gallons of hydropneumatic storage, and related appurtenances. In addition, the Master District has water interconnection lines connecting the Master District's water supply and distribution system with the water supply and distribution systems of Grand Lakes Municipal Utility District No. 4, Cimmaron Municipal Utility District, Fort Bend County Municipal Utility District No. 124, Cinco Southwest Municipal Utility District No. 1, and Cornerstones Municipal Utility District. The TCEQ has granted the Master District a waiver from elevated storage capacity requirements on the basis of the Master District's agreement to install an auxiliary power system, which has been completed. There is reserved capacity of 14,969 equivalent single-family connections ("ESFCs") as of May 31, 2011. According to the Cinco MUD No. 1 operator's report, as of April 30, 2012, including 1,640 irrigation connections and 3,058 commercial connections, 14,710 ESFCs were active in the Master District's service area.

The major components of the Master District's water supply facilities are adequate to provide service to approximately 16,380 ESFCs. In order to provide water supply to serve the total development of all of the Cinco MUDs, the Master District's Facilities will need to be expanded. The master water plan for the Master District is designated to serve approximately 17,300 ESFCs which will require the construction of one (1) water well, and additional booster pump capacity totalling 3,600 g.p.m. According to AECOM Technical Services, Inc., the Master District's engineer, it is planned that new facilities will be constructed in timely phases prior to demand for such facilities.

Wastewater Treatment Facilities

The Master District's wastewater system consists of trunk wastewater collection system improvements and wastewater treatment facilities. The wastewater collection lines include sanitary sewer lines ranging in size from 10-inch to 48-inch diameter pipe generally located within the rights-of-way of the previously listed major thoroughfares. These collection lines collect waste from the Cinco MUDs and transport it to the Master District's treatment facilities. A wastewater systems master plan was developed by the Master District's engineer, which provides for the treatment of wastewater from the Cinco MUDs.

The wastewater treatment facilities of the Master District consist of two plants located within the service area with a combined capacity of 4,210,000 gallons per day ("gpd"). Such 4,210,000 gpd wastewater treatment capacity at the Master District's plants will serve 15,309 ESFCs assuming usage at 275 gpd per connection. The Master District has reserved capacity of 14,969 ESFCs as of April 30, 2012. According to the Cinco MUD No. 1 operator's report, as of April 30, 2012, including 1,640 irrigation connections and 3,058 commercial connections, 14,710 ESFCs were active in the Master District's service area.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Coats, Rose, Yale, Ryman & Lee, P.C., Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. The legal opinion of Andrews Kurth LLP ("Special Tax Counsel") will address the matters described below under "TAX EXEMPTION." Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheading "Book-Entry-Only System"), "PLAN OF FINANCING - Refunded Bonds," and - "Escrow Agreement," "THE DISTRICT - Authority" and - "Attorney," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions" (but only insofar as such caption relates to the opinion of Bond Counsel), and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. In its capacity as Special Tax Counsel, Andrews Kurth LLP has reviewed the information appearing in this Official Statement under the captions "LEGAL MATTERS - Legal Opinions" (but only insofar as such caption relates to the opinion of Special Tax Counsel), "TAX EXEMPTION," "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT AND PREMIUM BONDS" and "QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS" to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Bond Counsel and Special Tax Counsel have not, however, independently verified any of the other factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such parties' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein.

Coats, Rose, Yale, Ryman & Lee, P.C., 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.

No Arbitrage

The District will certify on 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, 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 Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed from time to time 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 have been authorized to certify to the facts, 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 will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

The District will furnish the Underwriters a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX EXEMPTION

In the opinion of Andrews Kurth LLP, Houston, Texas, Special Tax Counsel, interest on the Bonds will be (1) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (2) not includable in the alternative minimum taxable income of individuals or, except as described below, corporations.

The foregoing opinions of Special Tax Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Special Tax Counsel has assumed continuing compliance by the District with certain covenants contained in the Bond Order and has relied on representations by the District with respect to matters solely within the knowledge of the District, which Special Tax Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the District file an information report with the Internal Revenue Service. If the District should fail to comply with the covenants in the Bond Order or if its representations relating to the Bonds that are contained in the Bond Order 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.

Interest on the Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation’s adjusted current earnings for purposes of calculating such corporation’s alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

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

Special Tax Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Special Tax Counsel, and Special Tax Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. 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 its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are 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 eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

Impact of President's 2013 Budget Proposal

On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One of the provisions of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds are advised to consult their tax advisors with respect to any impact of the Budget or other legislative proposals, as to which Special Tax Counsel expresses no opinion.

TAX TREATMENT OF ORIGINAL ISSUE PREMIUM BONDS

Premium Bonds

The Bonds are offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. Section 265(b) of the Code limits the portion of interest a financial institution can deduct when it owns obligations yielding tax exempt interest. It also provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

In addition, the Bonds do not count against the \$10,000,000 limit, and are “qualified tax-exempt obligations” themselves, if the District complies with certain requirements of the Code. The District has, pursuant to the Bond Order, designated the Bonds as “qualified tax-exempt obligations” and covenanted to comply with the requirements of the Code to make the Bonds “qualified tax-exempt obligations.” Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the limitation of interest expense allocable to interest on the Bonds under section 265(b) of the Code; however, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to Section 291 of the Code.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATION

The accuracy of (a) the arithmetical computations of the adequacy of the amounts deposited with the Escrow Agent and certain other available funds (if any) to pay, when due, the principal or redemption price and interest on the Refunded Bonds, (b) the mathematical computations supporting the conclusion of Special Tax Counsel that the Bonds are not “arbitrage bonds” under the Code, and (c) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416 will be verified by Grant Thornton LLP, Certified Public Accountants. In making such verification, Grant Thornton LLP has relied on certain information and assumptions supplied by the District and on its interpretations of the Code.

OFFICIAL STATEMENT

General

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

The District's audited financial statements for the fiscal year ended May 31, 2011, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as “APPENDIX B.” McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has consented to the publication of such financial statements in this Official Statement. A copy of the Management Letter from the District's auditor to the District's Board of Directors relating to the District's financial reporting under Statement on Auditing Standards No. 115, including the District's response thereto, is included in “APPENDIX B.”

Experts

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

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, principal taxpayers and related matters contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Appraisal District and the District's Tax Assessor/Collector, Avik Bonnerjee, and has been included herein in reliance upon his authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the “end of the underwriting period.”

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), this document, as the same may be supplemented or corrected by the District from time to time, may be treated as an Official Statement with respect to the Bonds described herein and is “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “FINAL OFFICIAL STATEMENT” of the District with respect to the Bonds, as that term is defined in SEC Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION,” “DISTRICT DEBT,” “TAX DATA,” “THE SYSTEM - Water Supply Facilities” and - “Wastewater Treatment Facilities” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2012.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District's audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is May 31. Accordingly, it must provide updated information by the last day of November 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.

Material Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; and (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds. 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 information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 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 (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

Compliance with Prior Undertakings

The District has been in compliance in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 for the last five years except for the filing due on November 30, 2008. With respect to the filing that was due on November 30, 2008, the District timely filed the additional financial information as of May 31, 2008; however, the final audit for fiscal year ending May 31, 2008, was not filed timely. The District subsequently filed the final audit and appropriate notice of non-compliance on December 21, 2009. The District's filings due November 30, 2009, through 2011 were timely made.

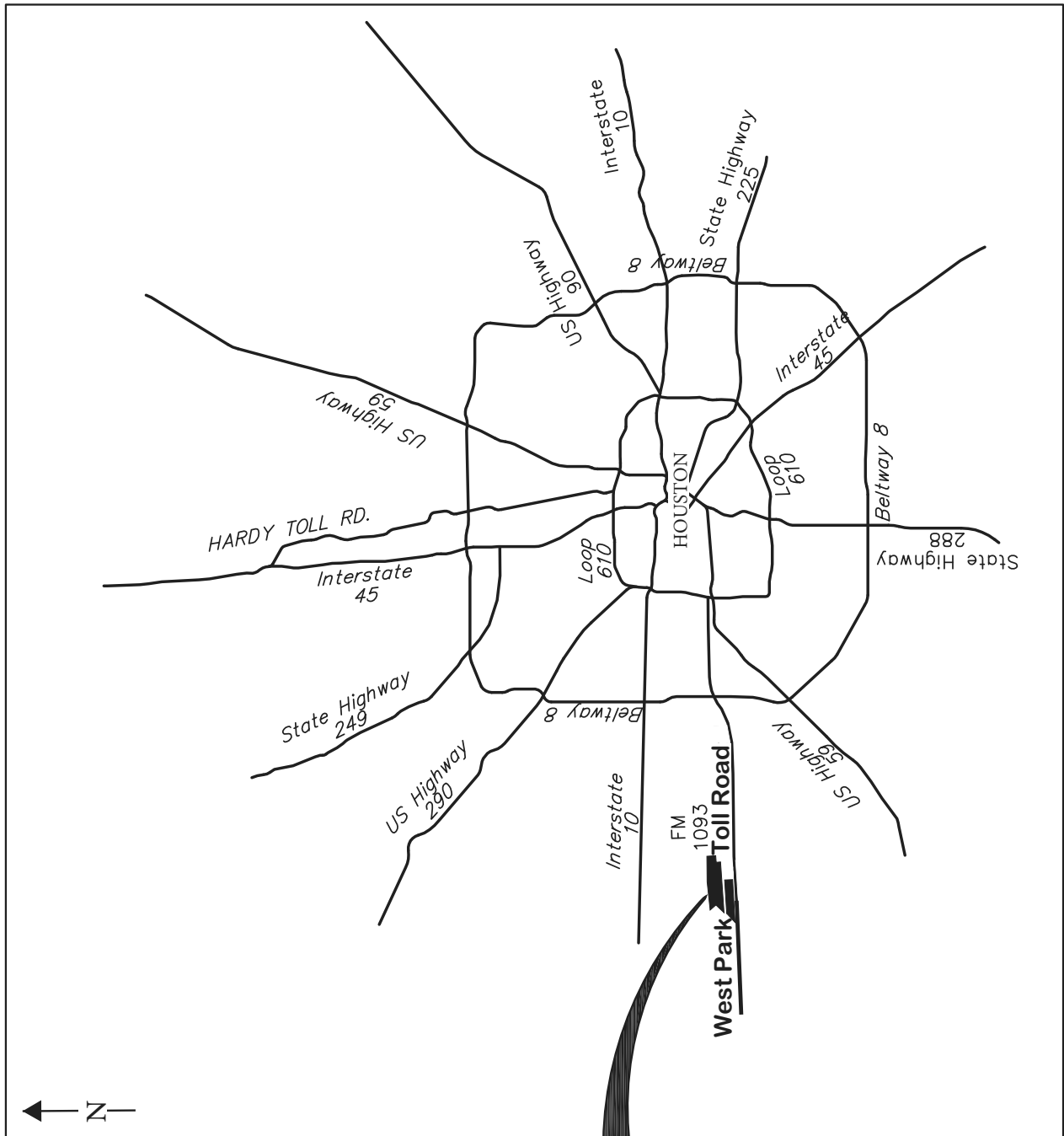
This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

/s/ Douglas Brewer
President, Board of Directors
Cinco Municipal Utility District No. 8

ATTEST:

/s/ Mark A. Baird
Secretary, Board of Directors
Cinco Municipal Utility District No. 8

APPENDIX A
LOCATION MAP



Cinco M.U.D. No. 8

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2011

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2011

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO BASIC FINANCIAL STATEMENTS	16-31
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	33
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to basic financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38-39
INVESTMENTS	40
TAXES LEVIED AND RECEIVABLE	41-42
LONG-TERM DEBT SERVICE REQUIREMENTS	43-47
CHANGE IN LONG-TERM BOND DEBT	48-49
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	50-53
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	54-55

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Board of Directors
Cinco Municipal Utility District No. 8
Fort Bend County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Cinco Municipal Utility District No. 8 (the "District") as of and for the year ended May 31, 2011, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted as promulgated within the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Cinco Municipal Utility District No. 8

The Management's Discussion and Analysis on pages 3 through 7 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

September 27, 2011

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MAY 31, 2011

Management's discussion and analysis of Cinco Municipal Utility District No. 8's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2011. Please read it in conjunction with the District's financial statements, which begin on page 8.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The first of the government-wide statements is the Statement of Net Assets. This information is found in the Statement of Net Assets column on pages 8 through 11. The Statement of Net Assets is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities on pages 13 and 14 reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2011

FUND FINANCIAL STATEMENTS (Continued)

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

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets on page 12 and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities on page 15 explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 31 in this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$2,332,511 as of May 31, 2011.

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

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Assets		
	2011	2010	Change Positive (Negative)
Current and Other Assets	\$ 7,864,901	\$ 7,527,725	\$ 337,176
Capital Assets (Net of Accumulated Depreciation)	<u>4,807,304</u>	<u>4,957,610</u>	<u>(150,306)</u>
Total Assets	<u>\$ 12,672,205</u>	<u>\$ 12,485,335</u>	<u>\$ 186,870</u>
Long-Term Liabilities	\$ 9,780,000	\$ 10,090,000	\$ 310,000
Other Liabilities	<u>559,694</u>	<u>505,666</u>	<u>(54,028)</u>
Total Liabilities	<u>\$ 10,339,694</u>	<u>\$ 10,595,666</u>	<u>\$ 255,972</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (4,833,209)	\$ (5,088,205)	\$ 254,996
Restricted	1,291,547	1,222,526	69,021
Unrestricted	<u>5,874,173</u>	<u>5,755,348</u>	<u>118,825</u>
Total Net Assets	<u>\$ 2,332,511</u>	<u>\$ 1,889,669</u>	<u>\$ 442,842</u>

The following table provides a summary of the District's operations for the years ended May 31, 2011, and May 31, 2010. The District increased its net assets by \$442,842, accounting for a 23.4% growth in net assets.

	Summary of Changes in the Statement of Activities		
	2011	2010	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,673,326	\$ 1,604,446	\$ 68,880
Charges for Services	874,481	895,238	(20,757)
Other Revenues	<u>122,143</u>	<u>13,172</u>	<u>108,971</u>
Total Revenues	\$ 2,669,950	\$ 2,512,856	\$ 157,094
Expenses for Services	<u>2,227,108</u>	<u>2,173,878</u>	<u>(53,230)</u>
Net Change in Fund Balance	\$ 442,842	\$ 338,978	\$ 103,864
Net Assets, Beginning of Year	<u>1,889,669</u>	<u>1,550,691</u>	<u>338,978</u>
Net Assets, End of Year	<u>\$ 2,332,511</u>	<u>\$ 1,889,669</u>	<u>\$ 442,842</u>

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2011, were \$5,181,944, an increase of \$258,901 from the prior year.

The General Fund fund balance increased by \$179,418, primarily due to revenues exceeding the costs of operating the District.

The Debt Service Fund fund balance increased by \$82,929, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$3,446.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$101,373 more than budgeted. Actual expenditures were \$168,445 more than budgeted. See the budget to actual comparison on page 33.

CAPITAL ASSETS

The District's investment in capital assets as of May 31, 2011, amounts to \$4,807,304 (net of accumulated depreciation). This investment in capital assets includes water, wastewater, and drainage facilities.

Capital Assets At Year-End, Net of Accumulated Depreciation

Capital Assets Subject to Depreciation:	
Water System	\$ 733,259
Wastewater System	1,545,416
Drainage System	<u>2,528,629</u>
Total Net Capital Assets	<u>\$ 4,807,304</u>

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

LONG-TERM DEBT ACTIVITY

As of May 31, 2011, the District had total bond debt payable of \$10,090,000. The changes in the debt position of the District during the fiscal year ended May 31, 2011, are summarized as follows:

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2011

LONG-TERM DEBT ACTIVITY (Continued)

Bond Debt Payable, June 1, 2010	\$ 10,345,000
Less: Bond Principal Paid	<u>255,000</u>
Bond Debt Payable, May 31, 2011	<u>\$ 10,090,000</u>

The District has an underlying rating of A-. The District's Series 1998 Bonds, Series 2002 Bonds and Series 2005 Bonds have an insured rating of A- by virtue of bond insurance issued by Radian Asset Assurance, Inc. The District's Series 2010 Bonds have an insured rating of AA+ by virtue of bond insurance issued by Assured Guaranty Corp. The above ratings reflect all changes during the past fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cinco Municipal Utility District No. 8, c/o Coats, Rose, Yale, Ryman & Lee, 3 E. Greenway Plaza, Suite 2000, Houston, Texas 77046.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash, Note 5	\$ 60,985	\$ 106,623
Investments, Note 5	3,394,736	1,229,995
Receivables:		
Property Taxes	8,654	28,488
Penalty and Interest on Delinquent Taxes		10,238
Service Accounts (Net of Allowance for Doubtful Accounts of \$-0-)	89,630	
Other	29,362	
Prepaid Costs	3,100	
Due from Other Funds, Note 2	5,545	
Regional Water Authority Capital Contribution, Note 8		
Advance for Regional Wastewater Treatment Plant Operations, Note 8	112,905	
Unamortized Bond Issuance Costs		
Unamortized Bond Discount		
Capital Assets (Net of Accumulated Depreciation), Note 6		
TOTAL ASSETS	<u>\$ 3,704,917</u>	<u>\$ 1,375,344</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 1,003	\$ 168,611	\$	\$ 168,611
285,411	4,910,142		4,910,142
	37,142		37,142
	10,238		10,238
	89,630		89,630
	29,362		29,362
	3,100		3,100
	5,545	(5,545)	
		1,818,564	1,818,564
	112,905		112,905
		474,615	474,615
		210,592	210,592
		4,807,304	4,807,304
<u>\$ 286,414</u>	<u>\$ 5,366,675</u>	<u>\$ 7,305,530</u>	<u>\$ 12,672,205</u>

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2011

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 102,955	\$ 7,883
Due to Other Funds, Note 2		5,545
Due to Others	343	
Security Deposits	20,625	
Deferred Revenues:		
Property Taxes	8,654	28,488
Penalty and Interest on Delinquent Taxes		10,238
Accrued Interest Payable		
Long-Term Liabilities:		
Due Within One Year, Note 3		
Due After One Year, Note 3		
TOTAL LIABILITIES	<u>\$ 132,577</u>	<u>\$ 52,154</u>
FUND BALANCES/NET ASSETS		
FUND BALANCES		
Reserved for Authorized Construction:		
Bond Proceeds	\$	\$
Net Investment Revenues		
Reserved for September 2011 Debt Service		545,776
Reserved for Master District Debt Service		241,700
Reserved for Future Debt Service		535,714
Reserved for Prepaid Costs	3,100	
Reserved for Regional Wastewater Treatment Plant		
Operations, Note 8	112,905	
Unreserved – Undesignated	<u>3,456,335</u>	
TOTAL FUND BALANCES	<u>\$ 3,572,340</u>	<u>\$ 1,323,190</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,704,917</u>	<u>\$ 1,375,344</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		
Restricted for:		
Capital Projects		
Debt Service		
Unrestricted		
TOTAL NET ASSETS		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Assets
\$	\$ 110,838	\$	\$ 110,838
	5,545	(5,545)	
	343		343
	20,625		20,625
	37,142	(37,142)	
	10,238	(10,238)	
		117,888	117,888
		310,000	310,000
		9,780,000	9,780,000
<u>\$ -0-</u>	<u>\$ 184,731</u>	<u>\$ 10,154,963</u>	<u>\$ 10,339,694</u>
\$ 238,895	\$ 238,895	\$ (238,895)	\$
47,519	47,519	(47,519)	
	545,776	(545,776)	
	241,700	(241,700)	
	535,714	(535,714)	
	3,100	(3,100)	
	112,905	(112,905)	
	3,456,335	(3,456,335)	
<u>\$ 286,414</u>	<u>\$ 5,181,944</u>	<u>\$ (5,181,944)</u>	<u>\$ -0-</u>
<u>\$ 286,414</u>	<u>\$ 5,366,675</u>		
		\$ (4,833,209)	\$ (4,833,209)
		47,519	47,519
		1,244,028	1,244,028
		5,874,173	5,874,173
		<u>\$ 2,332,511</u>	<u>\$ 2,332,511</u>

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

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CINCO MUNICIPAL UTILITY DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MAY 31, 2011

Total Fund Balances - Governmental Funds	\$ 5,181,944
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital contributions to the North Fort Bend Water Authority are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,818,564
Unamortized bond issuance costs and bond discounts in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	685,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	4,807,304
Deferred tax revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the District.	37,142
Deferred penalty and interest revenues for the 2010 and prior tax levies became part of recognized revenue in the governmental activities of the District.	10,238
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported as a liability in the governmental funds.	(117,888)
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year end consist of:	
Bonds Payable Within One Year	\$ (310,000)
Bonds Payable After One Year	<u>(9,780,000)</u>
	<u>(10,090,000)</u>
Total Net Assets - Governmental Activities	<u>\$ 2,332,511</u>

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2011

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 390,119	\$ 1,309,306
Water Service	328,856	
Wastewater Service	293,343	
Regional Water Authority Fee	215,148	
Penalty and Interest	18,283	23,171
Investment Revenues	139,087	1,936
Miscellaneous Revenues	<u>5,637</u>	<u>4,188</u>
TOTAL REVENUES	<u>\$ 1,390,473</u>	<u>\$ 1,338,601</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 125,318	\$ 10,584
Contracted Services	295,936	20,724
Water and Wastewater Capacity Reservations, Note 8	548,600	
Repairs and Maintenance	195,250	
Depreciation, Note 6		
Other	45,951	14,706
Debt Service:		
Bond Principal		255,000
Bond Interest		485,337
District's Share of Cinco Municipal Utility District No. 1's Bond Debt Requirement, Note 8		<u>469,321</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,211,055</u>	<u>\$ 1,255,672</u>
NET CHANGE IN FUND BALANCES	\$ 179,418	\$ 82,929
CHANGE IN NET ASSETS		
FUND BALANCES/NET ASSETS – JUNE 1, 2010	<u>3,392,922</u>	<u>1,240,261</u>
FUND BALANCES/NET ASSETS – MAY 31, 2011	<u>\$ 3,572,340</u>	<u>\$ 1,323,190</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 1,699,425	\$ (26,099)	\$ 1,673,326
	328,856		328,856
	293,343		293,343
	215,148		215,148
	41,454	(4,320)	37,134
502	141,525	(29,207)	112,318
	<u>9,825</u>		<u>9,825</u>
<u>\$ 502</u>	<u>\$ 2,729,576</u>	<u>\$ (59,626)</u>	<u>\$ 2,669,950</u>
\$ 3,298	\$ 139,200	\$	\$ 139,200
	316,660		316,660
	548,600		548,600
	195,250		195,250
		150,306	150,306
650	61,307		61,307
	255,000	(255,000)	
	485,337	(138,873)	346,464
	<u>469,321</u>		<u>469,321</u>
<u>\$ 3,948</u>	<u>\$ 2,470,675</u>	<u>\$ (243,567)</u>	<u>\$ 2,227,108</u>
\$ (3,446)	\$ 258,901	\$ (258,901)	\$
		442,842	442,842
<u>289,860</u>	<u>4,923,043</u>	<u>(3,033,374)</u>	<u>1,889,669</u>
<u>\$ 286,414</u>	<u>\$ 5,181,944</u>	<u>\$ (2,849,433)</u>	<u>\$ 2,332,511</u>

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2011

Net Change in Fund Balances - Governmental Funds	\$ 258,901
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(26,099)
Governmental funds report delinquent tax penalty and interest when collected. However, in the Statement of Activities, revenue is recorded when the penalty and interest are assessed.	(4,320)
Governmental funds report principal receipts for capital contributions to the water authority as interest income. In the Statement of Net Assets, principal receipts reduce long-term assets.	(29,207)
Governmental funds do not account for depreciation. However, in the Statement of Net Assets, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(150,306)
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Assets, bond principal payments decrease long-term liabilities.	255,000
Governmental funds report interest expenditures on bonds as expenditures in the year paid. However, in the Statement of Activities, interest is recorded on bonds through fiscal year-end.	<u>138,873</u>
Change in Net Assets - Governmental Activities	<u>\$ 442,842</u>

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 1. CREATION OF DISTRICT

Cinco Municipal Utility District No. 8 (the "District") was created on May 24, 1985, under provision of Acts of the Texas Legislature, Regular Session, 1985, and Article XVI, Section 59, Texas Constitution. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling and parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on January 26, 1990, and the first bonds were sold on December 19, 1996.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The Governmental Accounting Standards Board has established the criteria for determining whether or not a given entity is a component unit. The criteria are: (1) is the potential component unit a legally separate entity, (2) does the primary government appoint a voting majority of the potential component unit's board, (3) is the primary government able to impose its will on the potential component unit, (4) is there a financial benefit or burden relationship. The District was created as an independent municipality. The District does not meet the criteria for inclusion as a component unit of any entity nor does any other entity meet the component unit criteria for inclusion in the District's basic financial statements.

The District and other surrounding water districts have contracted with Cinco Municipal Utility District No. 1 (the "Master District") for the financing, operation, and maintenance of regional water and wastewater facilities. These facilities are under the oversight of the Master District's Board of Directors and financial activity of the Master District has been included in the financial statements of the District as a note disclosure. See Note 8. Copies of the financial statements for the Master District may be obtained from the attorney of Cinco Municipal Utility District No. 1.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments.

GASB Statement No. 34 established standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

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

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

Government-Wide Financial Statements

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

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three governmental funds and considers these funds major funds.

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

Debt Service Fund - To account for ad valorem taxes and financial resources accumulated for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources segregated for acquisition or construction of facilities and related costs.

Basis of Accounting

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as an other financing source or use. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2011, the Debt Service Fund owed the General Fund \$2,595 for maintenance tax collections and \$2,950 for arbitrage rebate calculation costs.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

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

Pensions

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

Measurement Focus

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

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

Reserved:

To indicate fund equity which is legally segregated for a specific future use.

Unreserved:

Designated - To indicate fund equity for which the District has made tentative plans.

Undesignated - To indicate fund equity which is available for use in future periods.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

Subsequent Events

In preparing these financial statements management has evaluated and disclosed all material subsequent events through September 27, 2011; which is the date these statements were available to be issued.

NOTE 3. BONDS PAYABLE

	Series 1998	Series 2002
Amount Outstanding - May 31, 2011	\$ 1,445,000	\$ 775,000
Interest Rates	5.00% - 5.15%	5.00% - 5.60%
Maturity Dates – Serially Beginning/Ending	September 1, 2011/2028	September 1, 2011/2029
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2007 (1)	September 1, 2009 (2)

- (1) Or any date thereafter, are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (2) Or any date thereafter, in whole or in part, at price of par plus accrued interest on the date fixed for redemption. Term bonds maturing September 1, 2020, 2024, and 2029, are subject to mandatory redemption beginning September 1, 2017, 2021, and 2025, respectively.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 3. BONDS PAYABLE (Continued)

	Series 2005 Refunding	Series 2010
Amount Outstanding - May 31, 2011	\$ 5,770,000	\$ 2,100,000
Interest Rates	4.00% - 5.00%	4.00% - 4.60%
Maturity Dates – Serially Beginning/Ending	September 1, 2011/2029	September 1, 2011/2030
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2012 (3)	September 1, 2017 (4)

(3) Or any date thereafter, in whole or in part at a price of par plus accrued interest on the date fixed for redemption. Term bonds maturing September 1, 2024, and September 1, 2029, are subject to mandatory redemption beginning September 1, 2023, and September 1, 2025, respectively.

(4) Or any date thereafter, in whole or in part at a price of par plus accrued interest on the date fixed for redemption. Term bonds maturing September 1, 2025, and September 1, 2030, are subject to mandatory redemption beginning September 1, 2021, and September 1, 2026, respectively.

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2011:

Bond Debt Payable – June 1, 2010		\$ 10,345,000
Less: Bond Principal Retirement		
Series 1998	\$ 25,000	
Series 2002	20,000	
Series 2005 Refunding	<u>210,000</u>	<u>255,000</u>
Bond Debt Payable – May 31, 2011		<u><u>\$ 10,090,000</u></u>

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 3. BONDS PAYABLE (Continued)

Bond Debt Payable –	
Due Within One Year	\$ 310,000
Due After One Year	<u>9,780,000</u>
Bond Debt Payable – May 31, 2011	<u>\$ 10,090,000</u>
Original Bonds Voted	<u>\$ 16,500,000</u>
Original Bonds Approved	<u>\$ 11,465,000</u>
Original Bonds Issued	<u>\$ 11,465,000</u>
Refunding Bonds Authorized (1 ½ times Bonds Issued)	<u>\$ 17,197,500</u>
Refunding Bonds Approved	<u>\$ 6,295,000</u>
Refunding Bonds Issued (\$6,295,000 net of bonds refunded of \$5,675,000)	<u>\$ 620,000</u>

As of May 31, 2011, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 310,000	\$ 465,054	\$ 775,054
2013	325,000	451,759	776,759
2014	340,000	437,854	777,854
2015	355,000	423,346	778,346
2016	375,000	407,769	782,769
2017-2021	2,150,000	1,767,817	3,917,817
2022-2026	2,730,000	1,207,224	3,937,224
2027-2031	<u>3,505,000</u>	<u>443,133</u>	<u>3,948,133</u>
	<u>\$ 10,090,000</u>	<u>\$ 5,603,956</u>	<u>\$ 15,693,956</u>

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 3. BONDS PAYABLE (Continued)

During the year ended May 31, 2011, the District levied an ad valorem debt service tax rate of \$0.405 per \$100 of assessed valuation, which resulted in a tax levy of \$797,271 on the adjusted taxable valuation of \$196,857,285 for the 2010 tax year. The Bond Resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax and Note 8 for the contract tax provisions.

The District's tax calendar is as follows:

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

- A. Funds deposited into the Debt Service Fund, and any other fund or funds which the District may lawfully create, may be invested or reinvested in authorized investments. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys for such investments were taken; provided, however, that at the discretion of the Board of Directors the profits realized from and interest accruing on investments made from any fund may be transferred to the Debt Service Fund.
- B. The Bond Resolutions state that the District agrees to maintain insurance on the System of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating similar facilities. As of the fiscal year-end, the District maintained general liability and pollution liability coverage each with a maximum limit of \$4,000,000, automobile liability coverage of \$2,500,000, property coverage of \$860,000 and boiler and machinery coverage of \$860,000.
- C. The Bond Resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to Municipal Securities Rulemaking Board. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$168,611 and the bank balance was \$163,870. The bank balance was fully covered by federal depository insurance.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Assets at May 31, 2011, as listed below:

GENERAL FUND	\$ 60,985
DEBT SERVICE FUND	106,623
CAPITAL PROJECTS FUND	<u>1,003</u>
TOTAL DEPOSITS	<u>\$ 168,611</u>

Investments

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

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, (5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain 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.

All investments are recorded at cost, which the District considers to be fair value. The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors manages the daily operations of the pool under a contract with the Comptroller. The fair value of the District's position in the pool is the same as the value of pool shares.

As of May 31, 2011, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND -</u> TexPool	\$3,394,736	\$3,394,736	\$	\$	\$
<u>DEBT SERVICE FUND -</u> TexPool	1,229,995	1,229,995			
<u>CAPITAL PROJECTS</u> <u>FUND -</u> TexPool	<u>285,411</u>	<u>285,411</u>			
Total Investments	<u>\$4,910,142</u>	<u>\$4,910,142</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2011, the District's investment in TexPool was rated AAAM by Standard and Poor's.

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

Restrictions

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2011:

	<u>June 1, 2010</u>	<u>Additions</u>	<u>May 31, 2011</u>
Capital Assets at Historical Costs Subject to Depreciation			
Water System	\$ 1,026,225	\$	\$ 1,026,225
Wastewater System	2,161,184		2,161,184
Drainage System	<u>3,498,067</u>	<u> </u>	<u>3,498,067</u>
Total Capital Assets at Historical Costs Subject to Depreciation	<u>\$ 6,685,476</u>	<u>\$ -0-</u>	<u>\$ 6,685,476</u>
Less Accumulated Depreciation			
Water System	\$ 270,161	\$ 22,805	\$ 292,966
Wastewater System	566,265	49,503	615,768
Drainage System	<u>891,440</u>	<u>77,998</u>	<u>969,438</u>
Total Accumulated Depreciation	<u>\$ 1,727,866</u>	<u>\$ 150,306</u>	<u>\$ 1,878,172</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,957,610</u>	<u>\$ (150,306)</u>	<u>\$ 4,807,304</u>

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 7. MAINTENANCE TAX

On August 11, 1990, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system. During the fiscal year ended May 31, 2011, the District levied a maintenance tax rate of \$0.195 per \$100 of assessed valuation, which resulted in a tax levy of \$383,871 on the adjusted taxable valuation of \$196,857,285 for the 2010 tax year.

NOTE 8. REGIONAL FACILITIES

The District and other surrounding water districts have contracted with Cinco Municipal Utility District No. 1 (the "Master District") for the construction and operation of Regional Waste Collection, Treatment, and Disposal Facilities and Regional Water Supply and Delivery Facilities. The contract was dated August 30, 1990, and has a term of 40 years. This contract was subsequently amended to limit the Master District's bond authorization to \$20,000,000 without prior written approval of the participants. Under the terms of the contract, the Master District provides water supply and distribution of same and sewage collection and treatment services. The Master District is the owner of all facilities constructed and acquired under this contract.

The Master District issued contract revenue bonds sufficient to complete acquisition and construction of the regional facilities. During the year ended May 31, 2011, the District paid its pro rata share of the debt service requirements on these contract revenue bonds in the amount of \$469,321. The debt service requirements on all outstanding Contract Revenue Bonds as of September 30, 2010, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,540,000	\$ 2,260,764	\$ 5,800,764
2012	3,660,000	2,159,365	5,819,365
2013	3,720,000	2,020,659	5,740,659
2014	3,795,000	1,886,194	5,681,194
2015	3,870,000	1,743,258	5,613,258
2016-2020	20,795,000	6,285,548	27,080,548
2021-2025	16,955,000	1,869,886	18,824,886
2026-2030	1,175,000	269,428	1,444,428
2031-2033	<u>705,000</u>	<u>44,415</u>	<u>749,415</u>
	<u>\$ 58,215,000</u>	<u>\$ 18,539,517</u>	<u>\$ 76,754,517</u>

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 8. REGIONAL FACILITIES (Continued)

On August 11, 1990, voters within the District approved the levy and collection of a contract tax on all taxable property within the District in an amount sufficient to make all payments due and payable under this contract. During the fiscal year ended May 31, 2011, the District levied an ad valorem contract tax rate of \$0.25 per \$100 of assessed valuation. This resulted in a tax levy of \$492,142 on the adjusted taxable valuation of \$196,857,285 for the 2010 tax year. During the current fiscal year, contract tax revenue of \$499,776 was recorded from taxes collected for the current and prior tax years. The excess contract tax revenue collected in the current year has been allocated for future contract tax payments.

The Master District is responsible for operating and maintaining the facilities and charges each participant a monthly operations fee based on the number of residential equivalent single family connections reserved for the District. As of the year-end, the District is being billed \$37.50 per month per connection. In accordance with the terms of the agreement, the Master District maintains a reserve for operations and maintenance equal to three months of budgeted costs. The District pays a pro rata share of the reserve based on equivalent connections reserved for the District. For the current fiscal year, the District recorded a total of \$548,600 as its share of operating costs and the District's operating reserve with the Master District totaled \$112,905 as calculated by multiplying the District's pro rata share of the reserved capacity in the Master District with the reserved balance at September 30, 2010.

The following summary financial data of the Master District is presented for the fiscal year ending September 30, 2010.

	<u>Enterprise Fund</u>
Total Assets	\$ 64,343,432
Total Liabilities	<u>59,575,403</u>
Total Net Assets	<u>\$ 4,768,029</u>
Total Operating Revenues	\$ 13,088,693
Total Operating Expenses	<u>7,746,122</u>
Operating Income	\$ 5,342,571
Non-Operating Revenues (Expenses)	<u>(2,390,832)</u>
Change in Net Assets	\$ 2,951,739
Net Assets – October 1, 2009	<u>1,816,290</u>
Net Assets – September 30, 2010	<u>\$ 4,768,029</u>

The Master District is located within the boundaries of the North Fort Bend Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 3482 (the "Act"), as passed by the 79th Texas Legislation, in 2005.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 8. REGIONAL FACILITIES (Continued)

The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is responsible for overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. The participants in the regional facilities pay the Authority pumpage fees on monthly basis through Master District billings to each participant.

The Authority adopted a Resolution Authorizing Capital Advance and Reimbursement Procedure (the “2008 Resolution”) on July 23, 2008. The Authority adopted the 2008 Resolution pursuant to Section 8813.104 of the Act to provide each district or municipality within its boundaries information regarding the share of capital costs allocable to such district or municipality the opportunity to fund its share of the capital costs and to provide a mechanism for the reimbursement credit thereof. A district or municipality that elected to pay its Optional Advance Amount was required to give written notice of the Authority no later than February 28, 2009.

On February 24, 2009, the District gave notice to the Authority of its intent to pay an Optional Advance Amount of \$1,847,771 in relation to the 2008 Resolution. This amount was paid to the Authority on January 29, 2010, using proceeds from the sale of the Series 2010 Unlimited Tax Bonds. The District was given a credit of \$13,905 for a portion of the District’s cost to issue bonds, which brings their reimbursable total to \$1,861,676.

The Authority adopted a Resolution Authorizing Capital Advance and Reimbursement Procedure (the “2011 Resolution”) on May 25, 2011. The Authority adopted the 2011 Resolution pursuant to Section 8813.104 of the Act to provide each district or municipality within its boundaries information regarding the share of capital costs allocated to such municipality and the opportunity to fund its share of the capital costs and to provide a mechanism for the reimbursement credit thereof. A district or municipality that elected to pay its Optional Advance Amount was required to give written notice of the Authority no later than July 30, 2011. On July 26, 2011, subsequent to year end, the District gave notice to the Authority of its intent to pay its optional advance amount of \$990,496.

Total credits received in the current fiscal year were \$133,380. Of this amount \$29,207 was a return of principal leaving capital contributions receivable of \$1,818,564. As of May 31, 2011, the repayments are as follows:

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
MAY 31, 2011

NOTE 8. REGIONAL FACILITIES (Continued)

Fiscal Year	Principal	Interest	Total
2012	\$ 36,629	\$ 96,751	\$ 133,380
2013	38,645	94,735	133,380
2014	40,772	92,608	133,380
2015	43,016	90,364	133,380
2016	45,384	87,996	133,380
2017-2021	267,250	399,650	666,900
2022-2026	349,346	317,554	666,900
2027-2031	456,660	210,240	666,900
2032-2036	<u>540,862</u>	<u>70,464</u>	<u>611,326</u>
	<u>\$ 1,818,564</u>	<u>\$ 1,460,362</u>	<u>\$ 3,278,926</u>

NOTE 9. RISK MANAGEMENT

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

NOTE 10. SUBSEQUENT EVENT - BOND SALE

On August 23, 2011, subsequent to year end, the District issued \$2,300,000 of Series 2011 Unlimited Tax Refunding Bonds. Proceeds from the bonds will be used to refund \$1,385,000 of the principal amount of the District's Series 1998 Bonds, \$725,000 of the principal amount of the District's Series 2002 Bonds, and to pay bond issuance costs.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2011

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2011

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 361,600	\$ 390,119	\$ 28,519
Water Service	410,000	328,856	(81,144)
Wastewater Service	318,000	293,343	(24,657)
Regional Water Authority Fee	168,000	215,148	47,148
Penalty and Interest	24,000	18,283	(5,717)
Investment Revenues	7,500	139,087	131,587
Miscellaneous Revenues	<u> </u>	<u>5,637</u>	<u>5,637</u>
TOTAL REVENUES	<u>\$ 1,289,100</u>	<u>\$ 1,390,473</u>	<u>\$ 101,373</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 104,500	\$ 125,318	\$ (20,818)
Contracted Services	313,700	295,936	17,764
Water and Wastewater Capacity			
Reservation	420,420	548,600	(128,180)
Repairs and Maintenance	141,000	195,250	(54,250)
Other	<u>62,990</u>	<u>45,951</u>	<u>17,039</u>
TOTAL EXPENDITURES	<u>\$ 1,042,610</u>	<u>\$ 1,211,055</u>	<u>\$ (168,445)</u>
NET CHANGE IN FUND BALANCE	\$ 246,490	\$ 179,418	\$ (67,072)
FUND BALANCE – JUNE 1, 2010	<u>3,392,922</u>	<u>3,392,922</u>	<u> </u>
FUND BALANCE – MAY 31, 2011	<u><u>\$ 3,639,412</u></u>	<u><u>\$ 3,572,340</u></u>	<u><u>\$ (67,072)</u></u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

MAY 31, 2011

FOR THE YEAR ENDED MAY 31, 2011

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

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved April 27, 2010.

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons over Minimum Use	Usage Levels
WATER:	\$ 22.50	10,000	N	\$ 2.50 \$ 5.00	10,000 to 20,000 20,001 and up
WASTEWATER:	included in water rate above	1,000	N	\$ 1.45	1,001 and up
SURCHARGE:					
Solid Waste/ Garbage	Included in above rates				
Regional Water Authority Fees Paid to Cinco MUD No. 1	\$ 15.50		Y		

District employs winter averaging for wastewater usage?

X	
Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$22.50 Wastewater: \$13.05 Surcharge: \$15.50 Total: \$51.05

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2011

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>919</u>	<u>912</u>	x 1.0	<u>912</u>
1"	<u>87</u>	<u>86</u>	x 2.5	<u>215</u>
1½"	<u>21</u>	<u>21</u>	x 5.0	<u>105</u>
2"	<u>7</u>	<u>7</u>	x 8.0	<u>56</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"	<u>2</u>	<u>2</u>	x 80.0	<u>160</u>
10"			x 115.0	
Total Water Connections	<u>1,036</u>	<u>1,028</u>		<u>1,448</u>
Total Wastewater Connections	<u>1,008</u>	<u>1,000</u>	x 1.0	<u>1,000</u>

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

Gallons billed to customers:	154,388,000	Water Accountability Ratio: 100.0% (Gallons billed /Gallons purchased)
Gallons purchased:	154,388,000	From: Cinco Municipal Utility District No. 1

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2011

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

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County or Counties in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2011

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>-0-</u>
PROFESSIONAL FEES:	
Auditing	\$ 13,500
Engineering	54,873
Legal	<u>56,945</u>
TOTAL PROFESSIONAL FEES	\$ <u>125,318</u>
PURCHASED SERVICES FOR RESALE:	
Water and Sewer Capacity Reservations	\$ <u>548,600</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 9,450
Operations and Billing	<u>37,682</u>
TOTAL CONTRACTED SERVICES	\$ <u>47,132</u>
UTILITIES	\$ <u>-0-</u>
REPAIRS AND MAINTENANCE	\$ <u>195,250</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 11,100
Dues	550
Payroll Tax	849
Insurance	4,915
Legal Notices	720
Office Supplies and Postage	11,080
Travel and per Diem	1,949
Other	<u>6,077</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>37,240</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2011

CAPITAL OUTLAY	
Capitalized Assets	\$
Expenditures not Capitalized	<u> </u>
TOTAL CAPITAL OUTLAY	<u>\$ -0-</u>
 TAP CONNECTION EXPENDITURES	 <u>\$ -0-</u>
 SOLID WASTE DISPOSAL	 <u>\$ 167,541</u>
 FIRE FIGHTING	 <u>\$ -0-</u>
 PARKS AND RECREATION	 <u>\$ -0-</u>
 SECURITY	 <u>\$ 81,263</u>
 OTHER EXPENDITURES:	
Laboratory Fees	\$ 3,018
Permit Fees	2,747
Inspection Fees	<u> 2,946</u>
TOTAL OTHER EXPENDITURES	<u>\$ 8,711</u>
 TOTAL EXPENDITURES	 <u><u>\$ 1,211,055</u></u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
INVESTMENTS
MAY 31, 2011

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	2671700003	Varies	Daily	\$ 3,394,736	\$ -0-
<u>DEBT SERVICE FUND</u>					
TexPool	2671700006	Varies	Daily	\$ 968,274	\$
TexPool	2671700001	Varies	Daily	<u>261,721</u>	<u></u>
TOTAL DEBT SERVICE FUND				\$ 1,229,995	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
TexPool	2671700005	Varies	Daily	\$ 285,411	\$ -0-
TOTAL - ALL FUNDS				\$ 4,910,142	\$ -0-

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2011

	<u>Debt Service Taxes</u>		<u>Contract Taxes</u>		<u>Maintenance Taxes</u>	
TAXES RECEIVABLE –						
JUNE 1, 2010	\$	29,538	\$	18,811	\$	14,892
Adjustments to Beginning						
Balance		<u>22</u>		<u>10</u>		<u>10</u>
	\$	29,560	\$	18,821	\$	14,902
Original 2010 Tax Levy	\$	743,315	\$	458,836	\$	357,892
Adjustment to 2010 Tax						
Levy		<u>53,956</u>		<u>33,306</u>		<u>25,979</u>
		<u>797,271</u>		<u>492,142</u>		<u>383,871</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 826,831		\$ 510,963		\$ 398,773
TAX COLLECTIONS:						
Prior Years	\$	22,899	\$	14,201	\$	11,371
Current Year		<u>786,631</u>		<u>485,575</u>		<u>378,748</u>
		<u>809,530</u>		<u>499,776</u>		<u>390,119</u>
TAXES RECEIVABLE –						
MAY 31, 2011		<u>\$ 17,301</u>		<u>\$ 11,187</u>		<u>\$ 8,654</u>
TAXES RECEIVABLE BY						
YEAR:						
2010	\$	10,640	\$	6,567	\$	5,123
2009		2,391		1,417		1,151
2008		1,254		954		759
2007		815		614		455
2006		786		577		428
2005		712		510		378
2004		<u>703</u>		<u>548</u>		<u>360</u>
TOTAL TAXES RECEIVABLE BY YEAR		<u>\$ 17,301</u>		<u>\$ 11,187</u>		<u>\$ 8,654</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2011

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
PROPERTY VALUATIONS:				
Land	\$ 48,149,380	\$ 48,901,990	\$ 46,656,980	\$ 37,491,560
Improvements	150,744,070	144,478,420	138,371,410	129,117,680
Personal Property	3,592,080	3,329,750	3,332,029	2,817,090
Exemption	<u>(5,628,245)</u>	<u>(5,621,860)</u>	<u>(7,366,851)</u>	<u>(3,116,180)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 196,857,285</u>	<u>\$ 191,088,300</u>	<u>\$ 180,993,568</u>	<u>\$ 166,310,150</u>
TAX RATES PER \$100 VALUATION:				
Contract	\$ 0.250	\$ 0.240	\$ 0.270	\$ 0.290
Debt Service	0.405	0.405	0.355	0.385
Maintenance	<u>0.195</u>	<u>0.195</u>	<u>0.215</u>	<u>0.215</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.850</u>	<u>\$ 0.840</u>	<u>\$ 0.840</u>	<u>\$ 0.890</u>
ADJUSTED TAX LEVY*	<u>\$ 1,673,284</u>	<u>\$ 1,605,048</u>	<u>\$ 1,520,325</u>	<u>\$ 1,480,156</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>98.67%</u>	<u>99.69%</u>	<u>99.80%</u>	<u>99.87%</u>

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

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on August 11, 1990.

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2011

Due During Fiscal Years Ending May 31	S E R I E S - 1 9 9 8		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2012	\$ 30,000	\$ 73,378	\$ 103,378
2013	30,000	71,878	101,878
2014	30,000	70,378	100,378
2015	30,000	68,878	98,878
2016	30,000	67,378	97,378
2017	30,000	65,863	95,863
2018	40,000	64,073	104,073
2019	40,000	62,023	102,023
2020	40,000	59,973	99,973
2021	40,000	57,923	97,923
2022	40,000	55,873	95,873
2023	45,000	53,689	98,689
2024	145,000	48,796	193,796
2025	155,000	41,071	196,071
2026	165,000	32,831	197,831
2027	175,000	24,076	199,076
2028	185,000	14,806	199,806
2029	195,000	5,021	200,021
2030			
2031			
TOTAL	<u>\$ 1,445,000</u>	<u>\$ 937,908</u>	<u>\$ 2,382,908</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2011

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 0 2		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2012	\$ 25,000	\$ 41,790	\$ 66,790
2013	25,000	40,540	65,540
2014	25,000	39,290	64,290
2015	25,000	38,040	63,040
2016	30,000	36,590	66,590
2017	30,000	34,940	64,940
2018	35,000	33,153	68,153
2019	35,000	31,227	66,227
2020	35,000	29,303	64,303
2021	40,000	27,240	67,240
2022	40,000	25,040	65,040
2023	45,000	22,702	67,702
2024	45,000	20,227	65,227
2025	50,000	17,615	67,615
2026	50,000	14,840	64,840
2027	55,000	11,900	66,900
2028	60,000	8,680	68,680
2029	60,000	5,320	65,320
2030	65,000	1,820	66,820
2031			
TOTAL	<u>\$ 775,000</u>	<u>\$ 480,257</u>	<u>\$ 1,255,257</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2011

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 0 5 R E F U N D I N G		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2012	\$ 220,000	\$ 258,307	\$ 478,307
2013	230,000	249,308	479,308
2014	240,000	239,907	479,907
2015	250,000	230,108	480,108
2016	260,000	219,647	479,647
2017	275,000	208,344	483,344
2018	280,000	196,479	476,479
2019	290,000	184,080	474,080
2020	310,000	170,803	480,803
2021	325,000	156,593	481,593
2022	340,000	141,630	481,630
2023	355,000	125,815	480,815
2024	275,000	111,291	386,291
2025	285,000	98,341	383,341
2026	295,000	84,375	379,375
2027	310,000	69,250	379,250
2028	325,000	53,375	378,375
2029	345,000	36,625	381,625
2030	560,000	14,000	574,000
2031			
TOTAL	<u>\$ 5,770,000</u>	<u>\$ 2,848,278</u>	<u>\$ 8,618,278</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2011

Due During Fiscal Years Ending May 31	S E R I E S - 2 0 1 0		
	Principal Due September 1	Interest Due September 1/ March 1	Total
2012	\$ 35,000	\$ 91,579	\$ 126,579
2013	40,000	90,033	130,033
2014	45,000	88,279	133,279
2015	50,000	86,320	136,320
2016	55,000	84,154	139,154
2017	55,000	81,920	136,920
2018	55,000	79,720	134,720
2019	65,000	77,320	142,320
2020	65,000	74,720	139,720
2021	65,000	72,120	137,120
2022	75,000	69,226	144,226
2023	75,000	66,039	141,039
2024	80,000	62,745	142,745
2025	80,000	59,345	139,345
2026	90,000	55,733	145,733
2027	90,000	51,750	141,750
2028	95,000	47,495	142,495
2029	100,000	43,010	143,010
2030	110,000	38,180	148,180
2031	<u>775,000</u>	<u>17,825</u>	<u>792,825</u>
TOTAL	<u>\$ 2,100,000</u>	<u>\$ 1,337,513</u>	<u>\$ 3,437,513</u>

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2011

Due During Fiscal Years Ending May 31	ANNUAL REQUIREMENT FOR ALL SERIES		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2012	\$ 310,000	\$ 465,054	\$ 775,054
2013	325,000	451,759	776,759
2014	340,000	437,854	777,854
2015	355,000	423,346	778,346
2016	375,000	407,769	782,769
2017	390,000	391,067	781,067
2018	410,000	373,425	783,425
2019	430,000	354,650	784,650
2020	450,000	334,799	784,799
2021	470,000	313,876	783,876
2022	495,000	291,769	786,769
2023	520,000	268,245	788,245
2024	545,000	243,059	788,059
2025	570,000	216,372	786,372
2026	600,000	187,779	787,779
2027	630,000	156,976	786,976
2028	665,000	124,356	789,356
2029	700,000	89,976	789,976
2030	735,000	54,000	789,000
2031	<u>775,000</u>	<u>17,825</u>	<u>792,825</u>
TOTAL	<u>\$ 10,090,000</u>	<u>\$ 5,603,956</u>	<u>\$ 15,693,956</u>

See accompanying independent auditor's report.

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CINCO MUNICIPAL UTILITY DISTRICT NO. 8
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2011

Description	Original Bonds Issued	Bonds Outstanding June 1, 2010
Cinco Municipal Utility District No. 8 Unlimited Tax Bonds – Series 1998	\$ 1,665,000	\$ 1,470,000
Cinco Municipal Utility District No. 8 Unlimited Tax Bonds – Series 2002	900,000	795,000
Cinco Municipal Utility District No. 8 Unlimited Tax Refunding Bonds – Series 2005	6,295,000	5,980,000
Cinco Municipal Utility District No. 8 Unlimited Tax Bonds – Series 2010	<u>2,100,000</u>	<u>2,100,000</u>
TOTAL	<u>\$ 10,960,000</u> (1)	<u>\$ 10,345,000</u>
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds*</u>
Amount Authorized by Voters	\$ 16,500,000	\$ 17,197,500
Amount Issued	<u>11,465,000</u>	<u>620,000</u>
Remaining to be Issued	<u>\$ 5,035,000</u>	<u>\$ 16,577,500</u>

For interest rates, interest payment dates and maturity dates, see Note 3.

* 1.5 Times Bonds Issued

(1) The District has previously issued and retired its \$1,225,000 Series 1996 bonds, \$4,150,000 Series 1999 bonds, and \$1,425,000 Series 2000 bonds.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding May 31, 2011</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 25,000	\$ 74,753	\$ 1,445,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	20,000	42,915	775,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	210,000	266,907	5,770,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u> </u>	<u> </u>	<u>100,762</u>	<u>2,100,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ -0-</u>	<u>\$ 255,000</u>	<u>\$ 485,337</u>	<u>\$ 10,090,000</u>	

Debt Service Fund cash, investments and cash with paying agent balances as of May 31, 2011: \$ 1,336,618

Average annual debt service payment (principal and interest) for remaining term of all bond debt: \$ 784,698

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Property Taxes	\$ 390,119	\$ 374,399	\$ 390,334
Water Revenue	328,856	392,334	341,297
Wastewater Revenue	293,343	313,451	304,362
Regional Water Authority Fee	215,148	140,722	74,007
Penalty and Interest	18,283	17,737	17,512
Tap Connection and Inspection Fees			90,355
Investment Revenue	139,087	7,237	41,267
Miscellaneous Revenue	<u>5,637</u>	<u></u>	<u>37,040</u>
TOTAL REVENUES	<u>\$ 1,390,473</u>	<u>\$ 1,245,880</u>	<u>\$ 1,296,174</u>
EXPENDITURES			
Professional Fees	\$ 125,318	\$ 82,467	\$ 119,276
Contracted Services	295,936	277,917	209,482
Water and Wastewater Capacity Reservations	548,600	481,650	382,827
Repairs and Maintenance	195,250	133,810	153,061
Other	<u>45,951</u>	<u>88,414</u>	<u>82,688</u>
TOTAL EXPENDITURES	<u>\$ 1,211,055</u>	<u>\$ 1,064,258</u>	<u>\$ 947,334</u>
NET CHANGE IN FUND BALANCE	\$ 179,418	\$ 181,622	\$ 348,840
BEGINNING FUND BALANCE	<u>3,392,922</u>	<u>3,211,300</u>	<u>2,862,460</u>
ENDING FUND BALANCE	<u>\$ 3,572,340</u>	<u>\$ 3,392,922</u>	<u>\$ 3,211,300</u>

See accompanying independent auditor's report.

		Percent of Total Revenue				
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 360,503	\$ 354,030	28.1%	30.0%	30.1%	33.1%	32.9%
287,440	279,940	23.6	31.5	26.3	26.4	26.0
270,996	273,050	21.1	25.2	23.5	24.9	25.4
50,667	38,292	15.5	11.3	5.7	4.7	3.6
13,982	15,331	1.3	1.4	1.3	1.3	1.4
450	2,415			7.0		0.2
104,244	109,926	10.0	0.6	3.2	9.6	10.2
	3,708	0.4		2.9		0.3
<u>\$ 1,088,282</u>	<u>\$ 1,076,692</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 77,500	\$ 53,091	9.0%	6.6%	9.2%	7.1%	4.9%
197,653	179,344	21.3	22.3	16.2	18.2	16.7
289,938	266,418	39.5	38.7	29.5	26.6	24.7
91,923	92,521	14.0	10.7	11.8	8.4	8.6
53,677	47,767	3.3	7.1	6.4	4.9	4.5
<u>\$ 710,691</u>	<u>\$ 639,141</u>	<u>87.1%</u>	<u>85.4%</u>	<u>73.1%</u>	<u>65.2%</u>	<u>59.4%</u>
\$ 377,591	\$ 437,551	<u>12.9%</u>	<u>14.6%</u>	<u>26.9%</u>	<u>34.8%</u>	<u>40.6%</u>
<u>2,484,869</u>	<u>2,047,318</u>					
<u>\$ 2,862,460</u>	<u>\$ 2,484,869</u>					

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	<u>Amounts</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES			
Property Taxes	\$ 1,309,306	\$ 1,234,332	\$ 1,137,741
Penalty and Interest	23,171	24,707	25,084
Investment Revenue	1,936	2,169	10,711
Miscellaneous Revenues	<u>4,188</u>	<u>3,095</u>	<u>9,152</u>
TOTAL REVENUES	<u>\$ 1,338,601</u>	<u>\$ 1,264,303</u>	<u>\$ 1,182,688</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 43,910	\$ 40,711	\$ 38,158
Debt Service Principal	255,000	155,000	245,000
Debt Service Interest and Fees	487,441	394,890	407,963
District's Share of Cinco Municipal Utility District No. 1's Bond Debt Requirement	<u>469,321</u>	<u>469,892</u>	<u>482,448</u>
TOTAL EXPENDITURES	<u>\$ 1,255,672</u>	<u>\$ 1,060,493</u>	<u>\$ 1,173,569</u>
NET CHANGE IN FUND BALANCE	\$ 82,929	\$ 203,810	\$ 9,119
BEGINNING FUND BALANCE	<u>1,240,261</u>	<u>1,036,451</u>	<u>1,027,332</u>
ENDING FUND BALANCE	<u>\$ 1,323,190</u>	<u>\$ 1,240,261</u>	<u>\$ 1,036,451</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,028</u>	<u>1,030</u>	<u>1,029</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,000</u>	<u>1,002</u>	<u>1,001</u>

See accompanying independent auditor's report.

		Percent of Total Revenue				
<u>2008</u>	<u>2007</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,135,059	\$ 1,129,258	97.8%	97.6%	96.2%	94.3%	93.2%
38,226	41,417	1.7	2.0	2.1	3.2	3.4
30,789	40,612	0.1	0.2	0.9	2.5	3.4
		<u>0.3</u>	<u>0.2</u>	<u>0.8</u>		
<u>\$1,204,074</u>	<u>\$ 1,211,287</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
\$ 48,700	\$ 45,468	3.3%	3.2%	3.2%	4.0%	3.7%
230,000	280,000	19.0	31.2	34.5	19.1	23.1
422,978	490,346	36.4	12.3	20.7	35.1	40.5
<u>477,376</u>	<u>471,983</u>	<u>35.1</u>	<u>37.2</u>	<u>40.8</u>	<u>39.6</u>	<u>39.0</u>
<u>\$1,179,054</u>	<u>\$ 1,287,797</u>	<u>93.8%</u>	<u>83.9%</u>	<u>99.2%</u>	<u>97.8%</u>	<u>106.3%</u>
\$ 25,020	\$ (76,510)	<u>6.2%</u>	<u>16.1%</u>	<u>0.8%</u>	<u>2.2%</u>	<u>(6.3)%</u>
<u>1,002,312</u>	<u>1,078,822</u>					
<u>\$1,027,332</u>	<u>\$ 1,002,312</u>					
<u>1,023</u>	<u>1,021</u>					
<u>997</u>	<u>995</u>					

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2011

District Mailing Address - Cinco Municipal Utility District No. 8
c/o Coats, Rose, Yale, Ryman & Lee
3 E. Greenway Plaza, Suite 2000
Houston, Texas 77046

District Telephone Number - (713) 651-0111

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended May 31, 2011	Expense reimbursements for the year ended May 31, 2011	Title
Douglas Brewer	05/2010 05/2014 (Elected)	\$ 1,050	\$ 149	President
Daniel P. Coyer	05/2008 05/2012 (Elected)	\$ 2,700	\$ 411	Vice President
James Pearson	05/2010 05/2014 (Elected)	\$ 2,850	\$ 413	Assistant Vice President/ Assistant Secretary
Mark A. Baird	05/2010 05/2014 (Elected)	\$ 2,100	\$ 137	Secretary/ Treasurer/ Investment Officer
Steven C. Haas	05/2008 05/2012 (Elected)	\$ 2,100	\$ 574	Assistant Secretary

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

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 26, 2010

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 22, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

CINCO MUNICIPAL UTILITY DISTRICT NO. 8
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2011

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2011</u>	<u>Title</u>
Coats, Rose, Yale, Ryman & Lee, P.C. 3 E. Greenway Plaza, Suite 2000 Houston, TX 77046	01/26/90	\$ 67,889	Attorney
McCall Gibson Swedlund Barfoot PLLC Certified Public Accountants 13100 Wortham Center Drive, Suite 235 Houston, TX 77065-5610	05/28/92	\$ 13,500	Auditor
F. Matuska, Inc. P. O. Box 842023 Houston, TX 77284-2023	06/27/06	\$ 9,887	Bookkeeper
Fort Bend County Appraisal District 2801 B.F. Terry Blvd. Rosenberg, TX 77471-5600	Legislative Action	\$ 8,055	Central Appraisal District
Perdue Brandon Fielder Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, TX 77008	03/27/01	\$ 6,814	Delinquent Tax Attorney
Dannenbaum Engineering Corp. P. O. Box 22292 Houston, TX 77227-2292	09/05/91	\$ 54,873	Engineer
Rathmann & Associates, L.P. Four Houston Center 1331 Lamar, Suite 1050 Houston, TX 77010	05/19/03	\$ -0-	Financial Advisor
Severn Trent Services Corp. 16337 Park Row Houston, TX 77084	01/30/92	\$ 249,239	Operator
Wheeler & Associates, Inc. 6935 Barney Road, Suite 110 Houston, TX 77092	05/10/91	\$ 21,645	Tax Assessor/ Collector

See accompanying independent auditor's report.

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

7801 N. Capital of Texas Hwy.
Suite 350
Austin, Texas 78731-1169
(512) 418-2358
Fax: (512) 340-0604
www.mgsbpllc.com

September 27, 2011

Board of Directors
Cinco Municipal Utility District No. 8
Fort Bend County, Texas

In planning and performing our audit of the financial statements of Cinco Municipal Utility District No. 8 (the "District") as of and for the year ended May 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Statement of Auditing Standards No. 115 ("SAS No. 115"), effective for audits of financial statements for periods ending on or after December 15, 2009, set about to identify and define deficiencies in internal control that might be significant deficiencies or material weaknesses. SAS No. 115 requires that significant deficiencies or material weaknesses be communicated to management in writing.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Last year, and again this year, we observed the following matters that we consider to be control deficiencies, significant deficiencies or material weaknesses.

Material Weaknesses

The District's management consists of an elected Board of Directors (the "Directors"). Some Districts, from time to time, also have employees that function as a component of management. In most cases the day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors, and from time to time employees, of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors, and from time to time employees, of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. SAS No. 115 does not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of SAS No. 115 to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the control deficiencies above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor. Stated another way, if an organization is unable to issue, without the auditors' involvement, complete financial statements with footnotes in accordance with generally accepted accounting principles and free of material misstatement, that inability is a symptom of a significant deficiency in the system of internal control.

Management's Response

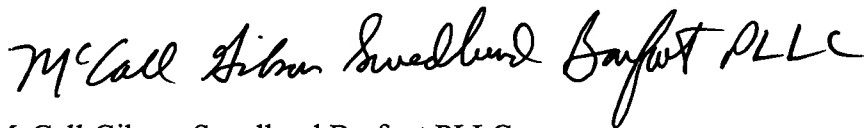
The District's Board of Directors is appointed or elected from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unqualified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants

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APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

