



Debbie Shelton
Managing Director

August 15, 2019

Distribution List, Fort Bend County Municipal Utility District No. 169

Re: \$13,245,000 Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities), Series 2019

Ladies and Gentlemen:

Attached is a sticker (insert) for the Official Statement for Fort Bend County Municipal Utility District No. 169 (the "District") Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities), Series 2019, dated August 6, 2019. APPENDIX B Audited Financial Statements of MUD Participants has been revised to include the Financial Statements of the District, MUD 170, MUD 171, MUD 172 and MUD 173 for the year ended September 30, 2018.

Please place it in APPENDIX B of all of the Official Statements you received after the initial printing or distribute the sticker to any individual who may have received an Official Statement from you.

If you have any questions regarding the enclosed, please feel free to call me at 713-814-0554. Thank you for your assistance.

Sincerely,

/s/ Debbie Shelton

Debbie Shelton

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 169**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 169
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 169, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Fort Bend County Municipal Utility District No. 169
Fort Bend County, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 169, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

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

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

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

Houston, Texas
January 7, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 169 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2018, was negative \$62,801,210. The District's net position is negative because the District incurs debt to construct water, sewer, storm drainage and road facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 19,233,429	\$ 18,451,828
Capital assets	69,777,746	55,326,669
Total assets	<u>89,011,175</u>	<u>73,778,497</u>
Total deferred outflows of resources	<u>246,699</u>	<u>261,211</u>
Current liabilities	17,079,292	4,512,003
Long-term liabilities	134,979,792	131,058,007
Total liabilities	<u>152,059,084</u>	<u>135,570,010</u>
Net position		
Net investment in capital assets	(9,161,242)	(8,512,532)
Restricted	12,402,265	11,000,951
Unrestricted	(66,042,233)	(64,018,721)
Total net position	<u>\$ (62,801,210)</u>	<u>\$ (61,530,302)</u>

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

The total net position of the District decreased during the current fiscal year by \$1,270,908. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Property taxes	\$ 106,958	\$ 84,982
Contract taxes from participants	8,120,412	7,115,043
Master District fees	1,602,600	1,551,660
Capacity charges	1,731,819	353,780
Other	175,349	53,410
Total revenues	<u>11,737,138</u>	<u>9,158,875</u>
Expenses		
Operating and administrative	1,252,396	1,534,186
Interest and fees	3,992,239	3,575,544
Developer interest	783,388	1,869,992
Debt issuance costs	824,344	1,300,716
Depreciation	1,688,453	1,300,910
Total expenses	<u>8,540,820</u>	<u>9,581,348</u>
Change in net position before other items	3,196,318	(422,473)
Other items		
Park connection charges	1,122,418	6,169,856
Transfers to other governments	<u>(5,589,644)</u>	<u>(1,436,873)</u>
Change in net position	(1,270,908)	4,310,510
Net position, beginning of year	<u>(61,530,302)</u>	<u>(65,840,812)</u>
Net position, end of year	<u>\$ (62,801,210)</u>	<u>\$ (61,530,302)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were \$19,061,572, which consists of \$3,143 in the General Fund, \$13,739,700 in the Debt Service Fund, \$4,262,853 in the Capital Projects Fund and \$1,055,876 in the Special Revenue Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 11,218</u>	<u>\$ 26,255</u>
Total liabilities	\$ 8,075	\$ 21,865
Total fund balance	<u>3,143</u>	<u>4,390</u>
Total liabilities and fund balance	<u>\$ 11,218</u>	<u>\$ 26,255</u>

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

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

	2018	2017
Total revenues	\$ 51,588	\$ 41,047
Total expenditures	(52,835)	(124,992)
Revenues under expenditures	(1,247)	(83,945)
Other changes in fund balance		84,000
Net change in fund balance	<u>\$ (1,247)</u>	<u>\$ 55</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Despite the fact that the District decreased its maintenance tax rate, property tax revenues increased because assessed values increased from prior year. In the previous fiscal year, the District's developers advanced funds to the District as needed to pay operating costs.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	\$ 13,739,729	\$ 12,181,418
Total liabilities	\$ 29	\$ 14
Total fund balance	13,739,700	12,181,404
Total liabilities and fund balance	<u>\$ 13,739,729</u>	<u>\$ 12,181,418</u>

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

	2018	2017
Total revenues	\$ 8,287,992	\$ 7,200,671
Total expenditures	(6,837,511)	(6,709,365)
Revenues over expenditures	1,450,481	491,306
Other changes in fund balance	107,815	676,848
Net change in fund balance	<u>\$ 1,558,296</u>	<u>\$ 1,168,154</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and contract tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year.

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

It is important to note that the District, in its capacity as a participating district, sets its annual contract tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future contract obligations to the Master District.

During the prior year, the District, in its capacity as Master District, issued \$2,455,000 in refunding bonds and used \$977,732 in existing financial resources to refund \$3,045,000 of its outstanding Series 2009 bonds. This refunding will save the District \$1,862,003 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	\$ 4,274,530	\$ 5,549,286
Total liabilities	\$ 11,677	\$ 14,035
Total fund balance	<u>4,262,853</u>	<u>5,535,251</u>
Total liabilities and fund balance	<u>\$ 4,274,530</u>	<u>\$ 5,549,286</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 1,793,333	\$ 382,054
Total expenditures	<u>(24,220,334)</u>	<u>(19,950,663)</u>
Revenues under expenditures	(22,427,001)	(19,568,609)
Other changes in fund balance	<u>21,154,603</u>	<u>20,995,851</u>
Net change in fund balance	<u>\$ (1,272,398)</u>	<u>\$ 1,427,242</u>

The Master District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017B Contract Revenue Bonds, Series 2018 Bond Anticipation Note, and park connection charges received from participating districts in the current year and issuance of its Series 2016 Bond Anticipation Note, Series 2017 Contract Revenue Bonds, and park connection charges in the prior year.

**Fort Bend County Municipal Utility District No. 169
 Management’s Discussion and Analysis
 September 30, 2018**

Special Revenue Fund

The District uses a Special Revenue Fund to account for revenues received from participating districts that are restricted for the operation and maintenance of regional facilities. A comparative summary of the Special Revenue Fund’s financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 1,207,952</u>	<u>\$ 694,869</u>
Total liabilities	\$ 152,076	\$ 190,636
Total fund balance	<u>1,055,876</u>	<u>504,233</u>
Total liabilities and fund balance	<u>\$ 1,207,952</u>	<u>\$ 694,869</u>

A comparative summary of activities for the Special Revenue Fund’s current and prior fiscal year is as follows

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 1,604,225	\$ 1,552,546
Total expenditures	<u>(1,052,582)</u>	<u>(1,249,769)</u>
Revenues over expenditures	<u>\$ 551,643</u>	<u>\$ 302,777</u>

Revenues in the Special Revenue Fund primarily consist of charges to participating districts for the operation and maintenance of regional facilities. The amount the District charges is based upon a unit cost per equivalent single family connection reserved for each participating district. See Note 13 for additional information.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$6,103 greater than budgeted. The *Budgetary Comparison Schedule* on page 40 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

Capital assets held by the District at September 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 39,746,732</u>	<u>\$ 30,157,031</u>
Capital assets being depreciated		
Infrastructure	14,432,335	12,340,324
Recreational and other facilities	<u>22,110,493</u>	<u>17,652,675</u>
	<u>36,542,828</u>	<u>29,992,999</u>
Less accumulated depreciation		
Infrastructure	(1,439,708)	(1,118,990)
Recreational and other facilities	<u>(5,072,106)</u>	<u>(3,704,371)</u>
	<u>(6,511,814)</u>	<u>(4,823,361)</u>
Depreciable capital assets, net	<u>30,031,014</u>	<u>25,169,638</u>
Capital assets, net	<u><u>\$ 69,777,746</u></u>	<u><u>\$ 55,326,669</u></u>

Capital asset additions during the current year include the following:

- Non-potable water pump station no. 3
- Land acquisition for Master District facilities
- Land acquisition and excavation of detention and reservoir lakes
- Landscaping projects within the Master District service

The District, in its capacity as a participating district and in its capacity as Master District (the “Master District”), and the City of Fulshear (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and storm drainage facilities to serve the District and Master District service area and, when completed, to convey title to the facilities to the City. The District also constructs major roadways to serve the District and the Master District service area, and the City has accepted such facilities for operation and maintenance. For the year ended September 30, 2018, capital assets in the amount of \$5,589,644 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 12.

Long-Term Debt and Related Liabilities

As of September 30, 2018, the District owes \$36,229,318 to developers for completed projects and operating advances. As discussed in Note 7, the District has an additional commitment in the amount of \$16,255,205 for projects under construction. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District’s financial statements. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost is trued up when the developers are reimbursed.

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2009	\$ 210,000	\$ 305,000
2010	5,990,000	6,150,000
2011	7,245,000	7,435,000
2011A	3,860,000	3,950,000
2012	10,460,000	10,720,000
2013	11,035,000	11,310,000
2014	8,275,000	8,460,000
2015	13,750,000	14,350,000
2015A	7,250,000	7,750,000
2016	10,250,000	11,000,000
2017	15,320,000	15,320,000
2017A Refunding	2,455,000	2,455,000
2017B	8,440,000	
	\$ 104,540,000	\$ 99,205,000

During the year, the District issued \$8,440,000 in contract revenue bonds for road facilities. At September 30, 2018, the District had contract revenue bonds of \$408,395,000 authorized, but unissued for regional water, sewer and drainage facilities and for refunding said bonds and \$84,980,000 for road facilities and refunding of said bonds.

At September 30, 2018, the District, in its capacity as a participating district, had \$48,748,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$23,212,000 for parks and recreational facilities and the refunding of such bonds and \$10,556,000 for road facilities and the refunding of such bonds.

During the year, the District issued a \$11,700,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to retire the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District.

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2018

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 51,588	\$ 49,000
Total expenditures	<u>(52,835)</u>	<u>(58,050)</u>
Revenues under expenditures	(1,247)	(9,050)
Other changes in fund balance		<u>9,650</u>
Net change in fund balance	<u>(1,247)</u>	600
Beginning fund balance	4,390	<u>3,143</u>
Ending fund balance	<u><u>\$ 3,143</u></u>	<u><u>\$ 3,743</u></u>

Property Taxes

The District's property tax base was unchanged for the 2018 tax year at \$7,968,880. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.65338 per \$100 of assessed value and a contract tax rate of \$0.685 per \$100 of assessed value, for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2017 tax year were \$0.6472 per \$100 for maintenance and operations and \$0.695 per \$100 for contract taxes for a combined total of \$1.3422 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 169
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 733	\$ 10,513	\$ -	\$ 1,040,099	\$ 1,051,345
Investments		9,816,929	4,274,530		14,091,459
Internal balances	10,485	(5,605)		(4,880)	
Other receivables				97,902	97,902
Prepaid items				38,345	38,345
Restricted investments				36,486	36,486
Investments with fiscal agent		3,917,892			3,917,892
Capital assets not being depreciated					
Capital assets, net					
Total Assets	\$ 11,218	\$ 13,739,729	\$ 4,274,530	\$ 1,207,952	\$ 19,233,429
Deferred Outflows of Resources					
Deferred difference on refunding					
Liabilities					
Accounts payable	\$ 7,926	\$ -	\$ 11,677	\$ 151,835	\$ 171,438
Other payables	149	29		241	419
Accrued interest payable					
Bond anticipation note payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	8,075	29	11,677	152,076	171,857
Fund Balances/Net Position					
Fund Balances					
Nonspendable				38,345	38,345
Restricted		13,739,700	4,262,853		18,002,553
Committed				1,017,531	1,017,531
Unassigned	3,143				3,143
Total Fund Balances	3,143	13,739,700	4,262,853	1,055,876	19,061,572
Total Liabilities and Fund Balances	\$ 11,218	\$ 13,739,729	\$ 4,274,530	\$ 1,207,952	\$ 19,233,429
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 1,051,345
	14,091,459
	97,902
	38,345
	36,486
	3,917,892
39,746,732	39,746,732
30,031,014	30,031,014
<u>69,777,746</u>	<u>89,011,175</u>
<u>246,699</u>	<u>246,699</u>
	171,438
	419
1,337,435	1,337,435
11,700,000	11,700,000
36,229,318	36,229,318
3,870,000	3,870,000
98,750,474	98,750,474
<u>151,887,227</u>	<u>152,059,084</u>
(38,345)	
(18,002,553)	
(1,017,531)	
(3,143)	
<u>(19,061,572)</u>	
(9,161,242)	(9,161,242)
12,402,265	12,402,265
(66,042,233)	(66,042,233)
<u>\$ (62,801,210)</u>	<u>\$ (62,801,210)</u>

Fort Bend County Municipal Utility District No. 169
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Property taxes	\$ 51,575	\$ 55,383	\$ -	\$ -	\$ 106,958
Contract tax from participants		8,120,412			8,120,412
Master District fees				1,602,600	1,602,600
Capacity charges			1,731,819		1,731,819
Investment earnings	13	112,197	61,514	1,625	175,349
Total Revenues	<u>51,588</u>	<u>8,287,992</u>	<u>1,793,333</u>	<u>1,604,225</u>	<u>11,737,138</u>
Expenditures/Expenses					
Operating and administrative					
Professional fees	29,833		120,188	177,412	327,433
Contracted services	12,472			21,206	33,678
Repairs and maintenance				430,360	430,360
Utilities				34,923	34,923
Regional water authority fees				193,929	193,929
Administrative	10,530	71	26,720	25,552	62,873
Lease				169,200	169,200
Capital outlay			22,465,694		22,465,694
Debt service					
Principal		3,105,000			3,105,000
Interest and fees		3,732,440			3,732,440
Developer interest			783,388		783,388
Debt issuance costs			824,344		824,344
Depreciation					
Total Expenditures/Expenses	<u>52,835</u>	<u>6,837,511</u>	<u>24,220,334</u>	<u>1,052,582</u>	<u>32,163,262</u>
Revenues Over (Under) Expenditures/Expenses	(1,247)	1,450,481	(22,427,001)	551,643	(20,426,124)
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		107,815	8,332,185		8,440,000
Proceeds from bond anticipation note			11,700,000		11,700,000
Other Items					
Park connection charges			1,122,418		1,122,418
Transfers to other governments					
Net Change in Fund Balances Change in Net Position	(1,247)	1,558,296	(1,272,398)	551,643	836,294
Fund Balance/Net Position					
Beginning of the year	4,390	12,181,404	5,535,251	504,233	18,225,278
End of the year	<u>\$ 3,143</u>	<u>\$ 13,739,700</u>	<u>\$ 4,262,853</u>	<u>\$ 1,055,876</u>	<u>\$ 19,061,572</u>

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 106,958
	8,120,412
	1,602,600
	1,731,819
	175,349
	<u>11,737,138</u>
	327,433
	33,678
	430,360
	34,923
	193,929
	62,873
	169,200
(22,465,694)	
(3,105,000)	
259,799	3,992,239
	783,388
	824,344
<u>1,688,453</u>	<u>1,688,453</u>
<u>(23,622,442)</u>	<u>8,540,820</u>
23,622,442	3,196,318
(8,440,000)	
(11,700,000)	
	1,122,418
<u>(5,589,644)</u>	<u>(5,589,644)</u>
(836,294)	
(1,270,908)	(1,270,908)
<u>(79,755,580)</u>	<u>(61,530,302)</u>
<u>\$ (81,862,782)</u>	<u>\$ (62,801,210)</u>

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Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 169 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 21, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 30, 2007 and the first bonds were sold on December 17, 2009.

The District’s primary activities include, or will include, the construction of water, sewer, drainage, parks and recreational facilities and road improvements within the boundaries of the District, as well as the construction of similar facilities for the Master District service area (see Note 13 for additional information). As further discussed in Note 10, the District transfers certain facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District's internal water, sewer and drainage facilities (to the extent such facilities are not conveyed to the City) and all other financial transactions not reported in other funds. The primary financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is contract tax payments from participant districts in the Master District service area and property taxes. Expenditures include principal and interest on bonds and the cost of assessing and collecting property taxes.
- The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's regional water, sewer, drainage, road and recreational facilities serving the Master District service area.
- The Special Revenue Fund is used to account for revenues received from participating districts that are restricted for the operation and maintenance of regional water, sewer, drainage, recreational and road facilities.

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

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, contract taxes from participating districts, Master District fees, and interest earned on investments. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Prepaid Items

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

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. As discussed in Note 12, the District conveys certain capital assets to the City of Fulshear.

Depreciable capital assets, which primarily consist of landscaping improvements and park and recreational facilities are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Recreational and other facilities	10-35 years

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

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District’s committed fund balances in the Special Revenue Fund consist of amounts restricted for the operation and maintenance of the regional water, sewer, drainage, recreational and road facilities.

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

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 19,061,572
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The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

246,699

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 76,289,560	
Less accumulated depreciation	<u>(6,511,814)</u>	
Change due to capital assets		69,777,746

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(114,320,474)	
Interest payable on bonds	<u>(1,337,435)</u>	
Change due to long-term debt		(115,657,909)

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(36,229,318)
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Total net position - governmental activities	<u><u>\$ (62,801,210)</u></u>
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Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

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

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

Net change in fund balances - total governmental funds \$ 836,294

In the *Statement of Activities*, the cost of capital assets retained by the District are capitalized and depreciated over their estimated useful lives. Other assets are conveyed to the City of Fulshear.

Depreciation expense	\$ (1,688,453)	
Transfers to other governments	<u>(5,589,644)</u>	(7,278,097)

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

Issuance of long term debt	(8,440,000)	
Proceeds from bond anticipation note	(11,700,000)	
Principal payments	3,105,000	
Interest expense accrual	<u>(259,799)</u>	(17,294,799)

Change in net position of governmental activities \$ (1,270,908)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Restricted Investments

The District has entered into a financing agreement with Landmark Industries Development, LTD. The amounts received from this agreement were restricted for use in the construction of the water plant, phases 2 and 3 project; and for certain sewer plant lease payments. The District reported restricted investments in the Special Revenue Fund of \$36,486 pursuant to this agreement.

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 3 – Deposits and Investments (continued)

Investments with Fiscal Agent

The District’s bond resolutions and indentures of trust require that the District maintain a debt service reserve fund for contract revenue bonds in an amount equal to one-half of the maximum annual debt service requirements on the outstanding bonds. The reserve funds are held by a trustee and are reported as restricted investments. As of September 30, 2018, the District’s reserve fund balances in the Debt Service Fund are \$2,688,632 for water, sewer and drainage bonds and \$1,229,260 for road facility bonds.

Investments

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

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

As of September 30, 2018, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Money Market	Debt Service	\$ 13,718,939	76%	AAAm	26 days
TexPool	Debt Service	15,881			
	Capital Projects	4,274,530			
	Special Revenue	36,486			
		<u>4,326,897</u>	<u>24%</u>	AAAm	28 days
Total		<u>\$ 18,045,837</u>	<u>100%</u>		

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 3 – Deposits and Investments (continued)

Investments (continued)

Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in the money market fund is measured using published fair value per share (level 1 inputs).

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 10,485	Maintenance tax collections not remitted as of year end
Debt Service Fund	Special Revenue Fund	4,880	Excess of bond proceeds over debt issuance costs paid by the Special Revenue Fund

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

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2018, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 30,157,031	\$ 9,589,701	\$ 39,746,732
Capital assets being depreciated			
Infrastructure	12,340,324	2,092,011	14,432,335
Recreational and other facilities	17,652,675	4,457,818	22,110,493
	<u>29,992,999</u>	<u>6,549,829</u>	<u>36,542,828</u>
Less accumulated depreciation			
Infrastructure	(1,118,990)	(320,718)	(1,439,708)
Recreational and other facilities	(3,704,371)	(1,367,735)	(5,072,106)
	<u>(4,823,361)</u>	<u>(1,688,453)</u>	<u>(6,511,814)</u>
Subtotal depreciable capital assets, net	<u>25,169,638</u>	<u>4,861,376</u>	<u>30,031,014</u>
Capital assets, net	<u>\$ 55,326,669</u>	<u>\$ 14,451,077</u>	<u>\$ 69,777,746</u>

Depreciation expense for the current year was \$1,688,453.

Note 6 – Bond Anticipation Note

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

On July 11, 2018, the District issued a \$11,700,000 BAN with an interest rate of 2.15%, which is due on July 10, 2019. This BAN was repaid subsequent to year end. See Note 16 for additional information. The effect of this transaction on the District’s short term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	11,700,000
Ending balance	<u>\$ 11,700,000</u>

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Due to Developers

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

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

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

Due to developers, beginning of year	\$ 36,965,838
Developer reimbursements	(22,465,694)
Developer funded construction and adjustments	<u>21,729,174</u>
Due to developers, end of year	<u><u>\$ 36,229,318</u></u>

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$16,255,205, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ, as applicable, and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Cross Creek Ranch lift station no. 1 - final upgrade	\$ 404,213	\$ 381,762	\$ 22,451
Cross Creek Ranch Legacy 4 drill site landscaping	266,959	258,950	8,009
Linear detention pond south of Morgans Spur	1,170,891	786,817	384,074
Cross Creek Ranch Brooks - Section 2 and Bonterra Section 2-6 landscaping	248,422	236,168	12,254
Cross Creek Ranch Creek Cove 9 and Fulshear Bend Lane Extension 2 landscaping	557,150	516,234	40,916
West Cross Creek Bend Lane Extension No. 4 - utilities	369,336	314,189	55,147
Cross Creek Bend Lane Extension No. 11 - utilities	130,083	70,301	59,782
West Cross Creek Bend Lane Extension No. 4 reinforced concrete paving	654,051	514,192	139,859
Cross Creek Ranch Creek Cove 11 landscaping	294,028	226,612	67,416
Cross Creek Ranch Creek Falls 5 landscaping	97,720	85,941	11,779
Cross Creek Ranch Cross Creek Bend Lane landscaping	145,492	64,202	81,290
Fulshear Bend Drive Extension No. 3 utilities	308,340	198,409	109,931
Cross Creek Bend Lane Extension 5-8 landscaping	407,141	292,255	114,886
Fulshear Bend Drive Extension No. 2 landscaping	136,046	118,391	17,655
Cross Creek Ranch Creek Falls 10 and 11 and Creek Falls Drive Extension No. 2 landscaping	606,755	106,790	499,965
Cross Creek Ranch Brooks 3 landscaping	1,360,129		1,360,129
Cross Creek Water Plant No. 3	4,776,963		4,776,963
Fulshear Bend Drive Bridge at Flewellen Creek	2,033,552		2,033,552
Fulshear Bend Drive Extension No. 3 reinforced concrete paving	1,918,892		1,918,892
Cross Creek Ranch Bonterra Section 5 landscape improvements	97,720	86,445	11,275
Greenthread Park landscaping	271,322	263,703	7,619
	<u>\$ 16,255,205</u>	<u>\$ 4,521,361</u>	<u>\$ 11,733,844</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 104,540,000
Unamortized discounts	(1,919,526)
	<u>\$ 102,620,474</u>
Due within one year	<u>\$ 3,870,000</u>

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

The District's bonds payable at September 30, 2018, consists of contract revenue bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009	\$ 210,000	\$ 3,590,000	4.70% - 6.00%	December 1, 2014/2034	December 1, June 1	December 1, 2018
2010	5,990,000	6,570,000	3.90% - 5.375%	December 1, 2014/2035	December 1, June 1	December 1, 2019
2011	7,245,000	7,785,000	3.00% - 5.00%	December 1, 2015/2036	December 1, June 1	December 1, 2020
2011A	3,860,000	4,030,000	5.00% - 5.25%	December 1, 2016/2037	December 1, June 1	December 1, 2020
2012	10,460,000	10,720,000	3.00% - 4.25%	December 1, 2017/2038	December 1, June 1	December 1, 2020
2013	11,035,000	11,310,000	3.00% - 5.00%	December 1, 2017/2038	December 1, June 1	December 1, 2021
2014	8,275,000	8,460,000	3.00% - 4.125%	December 1, 2017/2038	December 1, June 1	December 1, 2022
2015	13,750,000	15,000,000	2.00% - 3.75%	December 1, 2016/2040	December 1, June 1	December 1, 2023
2015A	7,250,000	8,850,000	2.00% - 3.00%	December 1, 2016/2041	December 1, June 1	December 1, 2023
2016	10,250,000	11,000,000	2.00% - 3.11%	December 1, 2016/2041	December 1, June 1	December 1, 2024
2017	15,320,000	15,320,000	2.25% - 3.375%	December 1, 2018/2042	December 1, June 1	December 1, 2024
2017A Refunding	2,455,000	2,455,000	2.00% - 3.25%	December 1, 2020/2034	December 1, June 1	December 1, 2024
2017B	8,440,000	8,440,000	2.00% - 4.50%	December 1, 2018/2038	December 1, June 1	December 1, 2024
	<u>\$ 104,540,000</u>					

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participant districts, including the District in its capacity as a participant district, based on their pro rata shares of the total certified assessed valuation of all participant districts. The participant districts are contractually required to levy a contract tax in an amount sufficient to meet their required contribution. See Note 13 for additional information.

Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

At September 30, 2018, the District, in its capacity as a participating district, had \$48,748,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$23,212,000 for parks and recreational facilities and \$10,556,000 for road facilities, and the refunding of such bonds. The District, in its Master District capacity, had contract revenue bonds of \$408,395,000 authorized, but unissued for the purpose of acquiring and constructing regional water, sewer and drainage facilities needed to provide services to all participating districts and \$84,980,000 for road facilities, and the refunding of such bonds.

On November 8, 2017, the District, in its capacity as a Master District, issued its \$8,440,000 Series 2017B Contract Revenue Bonds at a net effective interest rate of 3.433499%. Proceeds of the bonds were used to reimburse the developers for the cost of road facilities constructed to serve the Master District service area plus interest at the net effective interest rate of the bonds and to make a deposit into the road debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds.

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

Bonds payable, beginning of year	\$ 99,205,000
Bonds issued	8,440,000
Bonds retired	(3,105,000)
Bonds payable, end of year	<u>\$ 104,540,000</u>

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

As of September 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	3,870,000	3,746,282	7,616,282
2020	4,015,000	3,610,434	7,625,434
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,661	7,480,661
2024	3,970,000	3,064,623	7,034,623
2025	4,075,000	2,938,418	7,013,418
2026	4,185,000	2,807,454	6,992,454
2027	4,305,000	2,669,545	6,974,545
2028	4,450,000	2,522,445	6,972,445
2029	4,585,000	2,364,629	6,949,629
2030	4,725,000	2,195,804	6,920,804
2031	4,870,000	2,015,674	6,885,674
2032	5,025,000	1,825,151	6,850,151
2033	5,205,000	1,626,327	6,831,327
2034	5,390,000	1,416,462	6,806,462
2035	5,560,000	1,195,184	6,755,184
2036	5,530,000	967,760	6,497,760
2037	5,135,000	747,773	5,882,773
2038	4,735,000	547,916	5,282,916
2039	4,510,000	363,882	4,873,882
2040	2,885,000	222,320	3,107,320
2041	2,275,000	130,600	2,405,600
2042	1,635,000	63,716	1,698,716
2043	1,035,000	18,322	1,053,322
	\$ 104,540,000	\$ 47,061,912	\$ 151,601,912

Note 9 – Property Taxes

Voters of the District have authorized the District’s Board of Directors to levy taxes annually for use in financing general maintenance and operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities.

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

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.3422 per \$100 of assessed value, of which \$0.6472 was allocated to maintenance and operations and \$0.695 was allocated to contract taxes. The resulting tax levy was \$106,958 on the adjusted taxable value of \$7,968,880.

Note 10 – Transfers to Other Governments

In accordance with the Utility Agreement between the District and the City of Fulshear (the "City"), the District conveys its potable water, sewer, and drainage (excluding detention ponds and drainage channels) facilities to the City (see Note 12). The City has also accepted for operation and maintenance major roadways constructed by the District. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2018, the total amount reported as transfers to other governments was \$5,589,644.

Note 11 – Lease Agreement

On October 1, 2007, the District entered into a lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$3,800. The total cost of the lease for the fiscal year ended September 30, 2018 was \$45,600. Pursuant to a Partial Assignment Lease Agreement dated August 19, 2008, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

On January 24, 2011, the District entered into a 60 month lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$3,000. The total cost of the lease for the fiscal year ended September 30, 2018 was \$36,000. Pursuant to a Partial Assignment of Lease Agreement dated August 1, 2011, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

On January 23, 2013, the District entered into a lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Effective December 31, 2017, monthly payments for the lease were reduced from \$12,800 to \$6,200. The total cost of the lease for the fiscal year ended September 30, 2018 was \$87,600. Pursuant to a Partial Assignment of Lease Agreement dated February 18, 2014, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 11 – Lease Agreement (continued)

Future minimum leases payments as of September 30, 2018 for term leases are as follows:

Year	Amount
2019	\$ 156,000
2020	156,000
2021	156,000
2022	65,000
	<u>\$ 533,000</u>

Standard lease terms require the District to prepay the last month’s lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the statement of net position.

Note 12 – Utility Agreement with the City of Fulshear

On December 18, 2007, the District entered into a utility agreement, as subsequently amended, with the City of Fulshear (the “City”) for construction and extension of water supply and distribution facilities, sanitary sewer collection and treatment facilities and drainage facilities to serve the District and the Master District service area. As the system is acquired or constructed, the District shall transfer the system, except for detention and drainage channel facilities, non-potable water facilities, and a water quality basin, to the City but will reserve a security interest in the system. The District, not the City, is responsible to own and maintain detention and drainage channel facilities, non-potable water facilities, the water quality basin and recreational facilities. In addition, the District will construct major roadways serving the District and the Master District service area, which facilities have been accepted by the City for operation and maintenance. The term of the agreement is 30 years from the year after the year the District issues unlimited tax bonds. The District has not yet issued unlimited tax bonds.

The City will provide water and wastewater services to customers in the District and in the Master District’s service area. Water and wastewater rates charged by the City to customers in the District and in the Master District’s service area may not exceed the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City’s ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value starting with the year after the year the District first issues unlimited tax bonds. The City will continue to pay the tax rebate for 30 years from the year after the year the District first issues unlimited tax bonds. If the City’s tax rate is equal to or less than \$0.10, then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28th of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City’s tax rate and the District’s appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City will vary year to year.

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 13 – Master District

The District, in its capacity as Master District, has entered into contracts, as amended, (the “Contracts”) with Fort Bend County Municipal Utility District No. 169 in its capacity as a participating district, Fort Bend County Municipal Utility District No. 170, Fort Bend County Municipal Utility District No. 171, Fort Bend County Municipal Utility District No. 172 and Fort Bend County Municipal Utility District No. 173 whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, road facilities and recreational facilities to serve all districts located within the Master District’s service area. Pursuant to the Contracts with each of the participating districts, and pursuant to the Contract between the District (in its capacity as participating district) and the District (in its capacity as Master District), the District, in addition to its role as Master District, has the same rights and duties as the other participant districts. The Contracts have a term that expires on January 17, 2052. As discussed in Note 12, the potable water, sewer, drainage (excluding detention/drainage channel facilities and the water quality basin) and road facilities are transferred to the City to own, operate and maintain.

As of September 30, 2018, the District, in its Master District capacity, is authorized to issue \$408,395,000 in contract revenue bonds for the purpose of acquiring and constructing water, sewer and drainage facilities needed to provide services to all participating districts in the service area and \$84,980,000 for road facilities; and the refunding of such bonds. The participating districts, including the District in its capacity as a participating district, shall contribute to the payment of debt service requirements based on their pro rata share of the total certified assessed valuation of all participating districts.

The Master District will finance water, sewer, and drainage facilities and road facilities through the issuance of contract revenue bonds. The Master District will finance park and recreational facilities by imposing park construction charges on the participating districts, which park construction charges will be calculated by the Master District from time to time based on each participating district’s pro rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The participating districts will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the participating districts will not be required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in a participating district.

During the current year, the District received a total of \$1,122,418 in park connection charges from Fort Bend County Municipal Utility District No. 170, which was used to reimburse developers for the construction of park and recreational facilities to serve the Master District service area

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. For the year ended September 30, 2018, the Master District has received \$1,602,600 in Master District fees.

Fort Bend County Municipal Utility District No. 169
Notes to Basic Financial Statements
September 30, 2018

Note 13 – Master District

The contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts an amount calculated by multiplying the monthly fee (as described above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of September 30, 2018, the Master District has not established an operating reserve.

Note 14 – Risk Management

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

Note 15 – Economic Dependency

The District, in its capacity as a participating district, is dependent upon its developers for operating advances. The developers continue to own substantially all of the taxable property within the District. The developers' ability to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Note 16 – Subsequent Events

On November 27, 2018, the District, in its capacity as a Master District, issued its \$5,570,000 Series 2018 Contract Revenue Bonds at a net effective rate of 4.163726%. Proceeds from the bonds were used to reimburse the developers for the cost of road facilities constructed to serve the Master District service area plus interest at the net effective interest rate of the bonds and to make a deposit into the road debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds.

On December 6, 2018, the District, in its capacity as a Master District, issued its \$23,000,000 Series 2018A Contract Revenue Bonds at a net effective rate of 4.159942%. Proceeds from the bonds were used to reimburse the developers for the cost of water, sewer and drainage facilities constructed to serve the Master District service area plus interest at the net effective interest rate of the bonds; to make a deposit into the water, sewer and drainage debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds; and to retire the Series 2018 BAN.

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Required Supplementary Information

*Fort Bend County Municipal Utility District No. 169
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended September 30, 2018*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 50,700	\$ 51,575	\$ 875
Investment earnings		13	13
Total Revenues	<u>50,700</u>	<u>51,588</u>	<u>888</u>
Expenditures			
Operating and administrative			
Professional fees	34,000	29,833	4,167
Contracted services	5,700	12,472	(6,772)
Administrative	<u>18,350</u>	<u>10,530</u>	<u>7,820</u>
Total Expenditures	<u>58,050</u>	<u>52,835</u>	<u>5,215</u>
Revenues Over (Under) Expenditures	(7,350)	(1,247)	6,103
Fund Balance			
Beginning of the year	4,390	4,390	
End of the year	<u>\$ (2,960)</u>	<u>\$ 3,143</u>	<u>\$ 6,103</u>

*Fort Bend County Municipal Utility District No. 169
 Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended September 30, 2018*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Master District fees	\$ 1,679,370	\$ 1,602,600	\$ (76,770)
Investment earnings		1,625	1,625
Total Revenues	<u>1,679,370</u>	<u>1,604,225</u>	<u>(75,145)</u>
Expenditures			
Operating and administrative			
Professional fees	309,000	177,412	131,588
Contracted services	37,000	21,206	15,794
Repairs and maintenance	575,000	430,360	144,640
Utilities	50,000	34,923	15,077
Regional water authority fees	175,000	193,929	(18,929)
Administrative	44,650	25,552	19,098
Lease	175,800	169,200	6,600
Total Expenditures	<u>1,366,450</u>	<u>1,052,582</u>	<u>313,868</u>
Revenues Over Expenditures	312,920	551,643	238,723
Fund Balance			
Beginning of the year	504,233	504,233	
End of the year	<u>\$ 817,153</u>	<u>\$ 1,055,876</u>	<u>\$ 238,723</u>

Fort Bend County Municipal Utility District No. 169
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Texas Supplementary Information

Fort Bend County Municipal Utility District No. 169
TSI-1. Services and Rates
September 30, 2018

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

- | | | | |
|---|---|--|--|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by the City of Fulshear for operation and maintenance.</u> | | | |

2. Retail Service Providers N/A

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-1. Services and Rates
September 30, 2018

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

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2018*

Professional fees		
Legal		\$ 28,333
Audit		1,500
		<u>29,833</u>
Contracted services		
Bookkeeping		5,775
Tax collection fees		6,697
		<u>12,472</u>
Administrative		
Directors fees		3,150
Printing and office supplies		408
Insurance		6,170
Other		802
		<u>10,530</u>
Total expenditures		<u>\$ 52,835</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	380,683 kWh	\$ 55,976
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-3. Investments
September 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
Debt Service				
Money Market Treasury				
Portfolio - Class III	CUSIP: X9USD0002	1.72%	N/A	\$ 13,718,939
TexPool	7942000001	Variable	N/A	15,881
				<u>13,734,821</u>
Capital Projects				
TexPool	7942000005	Variable	N/A	3,302,256
TexPool	7942000006	Variable	N/A	972,274
				<u>4,274,530</u>
Special Revenue				
TexPool	7942000004	Variable	N/A	25,065
TexPool	7942000003	Variable	N/A	11,421
				<u>36,486</u>
Total - All Funds				<u><u>\$ 18,045,837</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-4. Taxes Levied and Receivable
September 30, 2018

	Maintenance Taxes	Contract Revenue Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	
2017 Original Tax Levy	51,575	55,383	106,958	
Tax collections:				
Current year	51,575	55,383	106,958	
Taxes Receivable, End of Year	\$ -	\$ -	\$ -	
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Property Valuations:				
Land	\$ 8,011,750	\$ 6,364,520	\$ 6,364,520	\$ 6,364,520
Improvements	13,250	15,460	13,990	13,990
Exemptions	(56,120)	(56,120)	(56,120)	(56,120)
Total Property Valuations	<u>\$ 7,968,880</u>	<u>\$ 6,323,860</u>	<u>\$ 6,322,390</u>	<u>\$ 6,322,390</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.64720	\$ 0.64899	\$ 0.64426	\$ 0.6276
Contract tax rates	0.69500	0.69500	\$ 0.69500	0.6950
Total Tax Rates per \$100 Valuation	<u>\$ 1.34220</u>	<u>\$ 1.34399</u>	<u>\$ 1.33926</u>	<u>\$ 1.3226</u>
Adjusted Tax Levy:	<u>\$ 106,958</u>	<u>\$ 84,992</u>	<u>\$ 84,673</u>	<u>\$ 83,620</u>
Percentage of Taxes Collected to Taxes Levied **	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters for water, wastewater, drainage and recreational facilities:

\$1.50 on 11/6/2007

* Maximum Maintenance Tax Rate Approved by Voters for road facilities:

\$0.25 on 11/4/2008

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2009 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 100,000	\$ 8,170	\$ 108,170
2020	110,000	2,585	112,585
	<u>\$ 210,000</u>	<u>\$ 10,755</u>	<u>\$ 220,755</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2010 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 170,000	\$ 299,839	\$ 469,839
2020	185,000	292,554	477,554
2021	200,000	284,319	484,319
2022	215,000	275,131	490,131
2023	230,000	264,946	494,946
2024	245,000	253,841	498,841
2025	260,000	241,909	501,909
2026	280,000	229,014	509,014
2027	300,000	214,794	514,794
2028	325,000	198,966	523,966
2029	345,000	181,797	526,797
2030	370,000	163,475	533,475
2031	400,000	143,244	543,244
2032	425,000	121,072	546,072
2033	460,000	97,288	557,288
2034	490,000	71,756	561,756
2035	525,000	44,478	569,478
2036	565,000	15,184	580,184
	<u>\$ 5,990,000</u>	<u>\$ 3,393,607</u>	<u>\$ 9,383,607</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2011 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 205,000	\$ 331,591	\$ 536,591
2020	220,000	323,981	543,981
2021	230,000	315,371	545,371
2022	245,000	305,986	550,986
2023	260,000	295,756	555,756
2024	280,000	284,651	564,651
2025	300,000	272,501	572,501
2026	315,000	259,354	574,354
2027	335,000	245,211	580,211
2028	360,000	229,741	589,741
2029	385,000	212,786	597,786
2030	410,000	194,194	604,194
2031	435,000	173,853	608,853
2032	460,000	151,750	611,750
2033	490,000	128,000	618,000
2034	525,000	102,625	627,625
2035	560,000	75,500	635,500
2036	595,000	46,625	641,625
2037	635,000	15,875	650,875
	<u>\$ 7,245,000</u>	<u>\$ 3,965,351</u>	<u>\$ 11,210,351</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2011A Contract Tax (Water, Sewer and Drainage Facilities)--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 95,000	\$ 190,744	\$ 285,744
2020	100,000	185,750	285,750
2021	110,000	180,500	290,500
2022	115,000	174,875	289,875
2023	125,000	168,875	293,875
2024	130,000	162,500	292,500
2025	140,000	155,750	295,750
2026	150,000	148,500	298,500
2027	160,000	140,750	300,750
2028	175,000	132,375	307,375
2029	185,000	123,375	308,375
2030	200,000	113,750	313,750
2031	210,000	103,500	313,500
2032	225,000	92,625	317,625
2033	245,000	80,875	325,875
2034	260,000	68,250	328,250
2035	280,000	54,750	334,750
2036	295,000	40,375	335,375
2037	320,000	25,000	345,000
2038	340,000	8,500	348,500
	<u>\$ 3,860,000</u>	<u>\$ 2,351,619</u>	<u>\$ 6,211,619</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2012 Contract Tax (Road Facilities)--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2019	\$ 275,000	\$ 401,768	\$ 676,768
2020	290,000	393,294	683,294
2021	310,000	384,293	694,293
2022	325,000	374,566	699,566
2023	345,000	363,881	708,881
2024	360,000	351,975	711,975
2025	380,000	339,025	719,025
2026	400,000	325,125	725,125
2027	425,000	309,906	734,906
2028	450,000	293,500	743,500
2029	475,000	275,563	750,563
2030	500,000	256,063	756,063
2031	525,000	235,563	760,563
2032	555,000	213,963	768,963
2033	585,000	191,163	776,163
2034	620,000	166,675	786,675
2035	650,000	140,481	790,481
2036	690,000	112,413	802,413
2037	725,000	82,344	807,344
2038	765,000	50,681	815,681
2039	810,000	17,213	827,213
	<u>\$ 10,460,000</u>	<u>\$ 5,279,455</u>	<u>\$ 15,739,455</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2013 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 290,000	\$ 468,850	\$ 758,850
2020	310,000	459,850	769,850
2021	325,000	450,325	775,325
2022	345,000	440,275	785,275
2023	360,000	429,250	789,250
2024	380,000	416,750	796,750
2025	400,000	403,100	803,100
2026	425,000	387,600	812,600
2027	450,000	370,100	820,100
2028	475,000	351,600	826,600
2029	500,000	331,475	831,475
2030	525,000	309,694	834,694
2031	555,000	286,050	841,050
2032	585,000	260,400	845,400
2033	620,000	233,288	853,288
2034	650,000	203,900	853,900
2035	690,000	172,075	862,075
2036	725,000	138,469	863,469
2037	765,000	102,125	867,125
2038	810,000	62,750	872,750
2039	850,000	21,250	871,250
	<u>\$ 11,035,000</u>	<u>\$ 6,299,176</u>	<u>\$ 17,334,176</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2014 Contract Tax (Road Facilities)--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 195,000	\$ 312,475	\$ 507,475
2020	210,000	304,375	514,375
2021	220,000	295,775	515,775
2022	230,000	286,775	516,775
2023	245,000	278,500	523,500
2024	260,000	270,925	530,925
2025	275,000	262,900	537,900
2026	290,000	254,062	544,062
2027	305,000	244,203	549,203
2028	325,000	233,369	558,369
2029	345,000	221,428	566,428
2030	365,000	208,559	573,559
2031	385,000	194,244	579,244
2032	405,000	178,444	583,444
2033	430,000	161,744	591,744
2034	455,000	144,044	599,044
2035	480,000	125,344	605,344
2036	510,000	105,544	615,544
2037	540,000	84,544	624,544
2038	570,000	62,344	632,344
2039	600,000	38,569	638,569
2040	635,000	13,097	648,097
	<u>\$ 8,275,000</u>	<u>\$ 4,281,264</u>	<u>\$ 12,556,264</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2015 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2019	\$ 600,000	\$ 441,375	\$ 1,041,375
2020	600,000	429,375	1,029,375
2021	600,000	417,375	1,017,375
2022	600,000	405,375	1,005,375
2023	600,000	390,377	990,377
2024	600,000	372,375	972,375
2025	600,000	354,376	954,376
2026	600,000	336,374	936,374
2027	600,000	318,375	918,375
2028	600,000	299,625	899,625
2029	600,000	280,124	880,124
2030	600,000	260,250	860,250
2031	600,000	239,626	839,626
2032	600,000	218,253	818,253
2033	600,000	196,500	796,500
2034	600,000	174,372	774,372
2035	575,000	152,344	727,344
2036	575,000	130,781	705,781
2037	575,000	108,500	683,500
2038	575,000	85,500	660,500
2039	575,000	62,500	637,500
2040	575,000	39,498	614,498
2041	700,000	14,000	714,000
	<u>\$ 13,750,000</u>	<u>\$ 5,727,250</u>	<u>\$ 19,477,250</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2015A Contract Tax (Road Facilities)--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 350,000	\$ 246,813	\$ 596,813
2020	350,000	227,563	577,563
2021	350,000	208,313	558,313
2022	350,000	189,063	539,063
2023	350,000	172,219	522,219
2024	300,000	160,500	460,500
2025	300,000	151,500	451,500
2026	300,000	142,500	442,500
2027	300,000	133,500	433,500
2028	300,000	124,500	424,500
2029	300,000	115,500	415,500
2030	300,000	106,500	406,500
2031	300,000	97,500	397,500
2032	300,000	88,500	388,500
2033	300,000	79,500	379,500
2034	300,000	70,500	370,500
2035	300,000	61,500	361,500
2036	300,000	52,500	352,500
2037	300,000	43,500	343,500
2038	300,000	34,500	334,500
2039	300,000	25,500	325,500
2040	300,000	16,500	316,500
2041	200,000	9,000	209,000
2042	200,000	3,000	203,000
	<u>\$ 7,250,000</u>	<u>\$ 2,560,471</u>	<u>\$ 9,810,471</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 550,000	\$ 257,000	\$ 807,000
2020	400,000	242,750	642,750
2021	400,000	230,750	630,750
2022	400,000	218,750	618,750
2023	400,000	208,750	608,750
2024	400,000	200,750	600,750
2025	400,000	192,750	592,750
2026	400,000	184,750	584,750
2027	400,000	176,750	576,750
2028	400,000	168,500	568,500
2029	400,000	159,750	559,750
2030	400,000	150,750	550,750
2031	400,000	141,250	541,250
2032	400,000	131,250	531,250
2033	400,000	121,250	521,250
2034	400,000	111,250	511,250
2035	400,000	101,000	501,000
2036	400,000	90,250	490,250
2037	400,000	79,250	479,250
2038	500,000	66,875	566,875
2039	500,000	52,500	552,500
2040	500,000	37,500	537,500
2041	500,000	22,500	522,500
2042	500,000	7,500	507,500
	<u>\$ 10,250,000</u>	<u>\$ 3,354,375</u>	<u>\$ 13,604,375</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2017 Contract Tax (Water, Sewer and Drainage Facilities)--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2019	\$ 700,000	\$ 461,675	\$ 1,161,675
2020	900,000	437,675	1,337,675
2021	900,000	410,675	1,310,675
2022	900,000	383,675	1,283,675
2023	900,000	356,675	1,256,675
2024	540,000	335,075	875,075
2025	540,000	318,875	858,875
2026	540,000	304,700	844,700
2027	540,000	291,875	831,875
2028	540,000	278,375	818,375
2029	540,000	264,200	804,200
2030	540,000	248,675	788,675
2031	540,000	232,475	772,475
2032	540,000	216,275	756,275
2033	540,000	200,075	740,075
2034	540,000	183,200	723,200
2035	540,000	165,650	705,650
2036	540,000	148,100	688,100
2037	540,000	130,213	670,213
2038	540,000	111,650	651,650
2039	540,000	92,750	632,750
2040	540,000	73,850	613,850
2041	540,000	54,950	594,950
2042	600,000	35,000	635,000
2043	700,000	12,250	712,250
	<u>\$ 15,320,000</u>	<u>\$ 5,748,588</u>	<u>\$ 21,068,588</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2017A Contract Tax Refunding (Water, Sewer and Drainage Facilities)--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ -	\$ 64,913	\$ 64,913
2020		64,913	64,913
2021	115,000	63,763	178,763
2022	120,000	61,412	181,412
2023	130,000	58,913	188,913
2024	135,000	56,262	191,262
2025	140,000	53,513	193,513
2026	145,000	50,481	195,481
2027	150,000	47,162	197,162
2028	160,000	43,475	203,475
2029	170,000	39,137	209,137
2030	175,000	34,175	209,175
2031	180,000	28,850	208,850
2032	195,000	23,225	218,225
2033	200,000	17,300	217,300
2034	215,000	10,806	225,806
2035	225,000	3,656	228,656
	<u>\$ 2,455,000</u>	<u>\$ 721,956</u>	<u>\$ 3,176,956</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169
 TSI-5. Long-Term Debt Service Requirements
 Series 2017B Contract Tax (Road Facilities)--by Years
 September 30, 2018*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2019	\$ 340,000	\$ 261,069	\$ 601,069
2020	340,000	245,769	585,769
2021	340,000	230,469	570,469
2022	340,000	217,719	557,719
2023	340,000	207,519	547,519
2024	340,000	199,019	539,019
2025	340,000	192,219	532,219
2026	340,000	184,994	524,994
2027	340,000	176,919	516,919
2028	340,000	168,419	508,419
2029	340,000	159,494	499,494
2030	340,000	149,719	489,719
2031	340,000	139,519	479,519
2032	335,000	129,394	464,394
2033	335,000	119,344	454,344
2034	335,000	109,084	444,084
2035	335,000	98,406	433,406
2036	335,000	87,519	422,519
2037	335,000	76,422	411,422
2038	335,000	65,116	400,116
2039	335,000	53,600	388,600
2040	335,000	41,875	376,875
2041	335,000	30,150	365,150
2042	335,000	18,216	353,216
2043	335,000	6,072	341,072
	<u>\$ 8,440,000</u>	<u>\$ 3,368,045</u>	<u>\$ 11,808,045</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2019	\$ 3,870,000	\$ 3,746,282	\$ 7,616,282
2020	4,015,000	3,610,434	7,625,434
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,661	7,480,661
2024	3,970,000	3,064,623	7,034,623
2025	4,075,000	2,938,418	7,013,418
2026	4,185,000	2,807,454	6,992,454
2027	4,305,000	2,669,545	6,974,545
2028	4,450,000	2,522,445	6,972,445
2029	4,585,000	2,364,629	6,949,629
2030	4,725,000	2,195,804	6,920,804
2031	4,870,000	2,015,674	6,885,674
2032	5,025,000	1,825,151	6,850,151
2033	5,205,000	1,626,327	6,831,327
2034	5,390,000	1,416,462	6,806,462
2035	5,560,000	1,195,184	6,755,184
2036	5,530,000	967,760	6,497,760
2037	5,135,000	747,773	5,882,773
2038	4,735,000	547,916	5,282,916
2039	4,510,000	363,882	4,873,882
2040	2,885,000	222,320	3,107,320
2041	2,275,000	130,600	2,405,600
2042	1,635,000	63,716	1,698,716
2043	1,035,000	18,322	1,053,322
	<u>\$ 104,540,000</u>	<u>\$ 47,061,912</u>	<u>\$ 151,601,912</u>

See accompanying auditors' report.

	Bond Issue				
	Series 2009	Series 2010	Series 2011	Series 2011A	Series 2012
Interest rate	4.70% - 6.00%	3.90% - 5.375%	3.00% - 5.00%	5.00% - 5.25%	3.00% - 4.25%
Dates interest payable	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1
Maturity dates	12/1/14 to 12/1/34	12/1/14 to 12/1/35	12/1/15 to 12/1/36	12/1/16 to 12/1/37	12/1/17 to 12/1/38
Beginning bonds outstanding	\$ 305,000	\$ 6,150,000	\$ 7,435,000	\$ 3,950,000	\$ 10,720,000
Bonds issued					
Bonds refunded					
Bonds retired	<u>(95,000)</u>	<u>(160,000)</u>	<u>(190,000)</u>	<u>(90,000)</u>	<u>(260,000)</u>
Ending bonds outstanding	<u>\$ 210,000</u>	<u>\$ 5,990,000</u>	<u>\$ 7,245,000</u>	<u>\$ 3,860,000</u>	<u>\$ 10,460,000</u>
Interest paid during fiscal year	<u>\$ 14,020</u>	<u>\$ 306,359</u>	<u>\$ 337,926</u>	<u>\$ 195,600</u>	<u>\$ 409,794</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A.</u>				

Master District Contract Revenue Bond Authority:	Water, Sewer and Drainage	
	Bonds	Road Bonds
Amount Authorized by Voters	\$ 483,000,000	\$ 121,450,000
Amount Issued	<u>(74,605,000)</u>	<u>(36,470,000)</u>
Remaining To Be Issued	<u>\$ 408,395,000</u>	<u>\$ 84,980,000</u>

All contract revenue bonds are secured with contract tax revenues from participating districts.

Internal District Unlimited Tax Bond Authority:	Water, Sewer and Drainage		
	Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 48,748,000	\$ 23,212,000	\$ 10,556,000
Amount Issued			
Remaining To Be Issued	<u>\$ 48,748,000</u>	<u>\$ 23,212,000</u>	<u>\$ 10,556,000</u>

All unlimited tax bonds are secured with tax revenues imposed and collected by the District.

Debt Service Fund cash and investments balances as of September 30, 2018: \$ 13,745,334

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 6,064,076

See accompanying auditors' report.

	Bond Issue				
	Series 2013	Series 2014	Series 2015	Series 2015A	Series 2016
Interest rate	3.00% - 5.00%	3.00% - 4.125%	2.00% - 3.75%	2.00% - 3.00%	2.00% - 3.00%
Dates interest payable	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1
Maturity dates	12/1/17 to 12/1/38	12/1/17 to 12/1/38	12/1/16 to 12/1/40	12/1/16 to 12/1/41	12/1/16 to 12/1/41
Beginning bonds outstanding	\$ 11,310,000	\$ 8,460,000	\$ 14,350,000	\$ 7,750,000	\$ 11,000,000
Bonds issued					
Bonds refunded					
Bonds retired	<u>(275,000)</u>	<u>(185,000)</u>	<u>(600,000)</u>	<u>(500,000)</u>	<u>(750,000)</u>
Ending bonds outstanding	<u>\$ 11,035,000</u>	<u>\$ 8,275,000</u>	<u>\$ 13,750,000</u>	<u>\$ 7,250,000</u>	<u>\$ 10,250,000</u>
Interest paid during fiscal year	<u>\$ 477,325</u>	<u>\$ 320,075</u>	<u>\$ 453,375</u>	<u>\$ 270,188</u>	<u>\$ 276,500</u>

See accompanying auditors' report.

Bond Issue			
Series 2017	Series 2017A Refunding	Series 2017B	Totals
2.25% - 3.375%	3.00% - 5.00%	2.00% - 4.50%	
12/1; 6/1	12/1; 6/1	12/1; 6/1	
12/1/18 to 12/1/42	12/1/17 to 12/1/38	12/1/18 to 12/1/42	
\$ 15,320,000	\$ 2,455,000	\$ -	\$ 99,205,000
		8,440,000	8,440,000
			(3,105,000)
<u>\$ 15,320,000</u>	<u>\$ 2,455,000</u>	<u>\$ 8,440,000</u>	<u>\$ 104,540,000</u>
<u>\$ 432,827</u>	<u>\$ 59,503</u>	<u>\$ 156,753</u>	<u>\$ 3,710,244</u>

Fort Bend County Municipal Utility District No. 169
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 51,575	\$ 41,036	\$ 39,679	\$ 38,258	\$ 20,328
Penalties and interest				129	
Investment earnings	13	11	17	5	
Total Revenues	<u>51,588</u>	<u>41,047</u>	<u>39,696</u>	<u>38,392</u>	<u>20,328</u>
Expenditures					
Operating and administrative					
Professional fees	29,833	99,134	13,548	23,034	13,783
Contracted services	12,472	14,006	7,938	10,862	11,005
Administrative	10,530	11,852	11,072	13,720	8,949
Other				149	500
Total Expenditures	<u>52,835</u>	<u>124,992</u>	<u>32,558</u>	<u>47,765</u>	<u>34,237</u>
Revenues Over (Under) Expenditures	<u>\$ (1,247)</u>	<u>\$ (83,945)</u>	<u>\$ 7,138</u>	<u>\$ (9,373)</u>	<u>\$ (13,909)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
100%	100%	100%	100%	100%
			*	
*	*	*	*	
100%	100%	100%	100%	100%
58%	42%	34%	60%	68%
24%	43%	20%	25%	54%
20%	31%	28%	36%	44%
			*	2%
102%	116%	82%	121%	168%
(2%)	(16%)	18%	(21%)	(68%)

Fort Bend County Municipal Utility District No. 169
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 55,383	\$ 43,946	\$ 43,941	\$ 44,355	\$ 23,826
Contract tax from participants	8,120,412	7,115,043	4,108,534	2,529,258	1,853,624
Accrued interest on bonds sold		17,443	3,936	6,272	
Investment earnings	112,197	24,239	530	376	277
Total Revenues	<u>8,287,992</u>	<u>7,200,671</u>	<u>4,156,941</u>	<u>2,580,261</u>	<u>1,877,727</u>
Expenditures					
Tax collection services	71	6	210	279	213
Debt service					
Principal	3,105,000	2,245,000	205,000		
Payment to refunded bond escrow agent		977,732			
Interest and fees	3,732,440	3,313,663	2,262,499	1,755,440	1,442,661
Debt issuance costs		172,964			
Total Expenditures	<u>6,837,511</u>	<u>6,709,365</u>	<u>2,467,709</u>	<u>1,755,719</u>	<u>1,442,874</u>
Revenues Over Expenditures	<u>\$ 1,450,481</u>	<u>\$ 491,306</u>	<u>\$ 1,689,232</u>	<u>\$ 824,542</u>	<u>\$ 434,853</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
1%	1%	1%	2%	1%
98%	99%	99%	98%	99%
	*	*	*	
1%	*	*	*	*
100%	100%	100%	100%	100%
*	*	*	*	*
37%	31%	5%		
	14%			
45%	46%	54%	68%	77%
	2%			
82%	91%	59%	68%	77%
18%	9%	41%	32%	23%

Fort Bend County Municipal Utility District No. 169
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 4, 2018
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Arden J. Morley	06/16 - 05/20	\$ 1,950	\$ 522	President
William H. Yost	05/18 - 05/22	1,650	215	Vice President
Gary Swafford	05/18 - 05/22	1,650	263	Secretary
David W. D'Andrea	05/18 - 05/22	1,950	296	Assistant Secretary
John J. Preston	06/16 - 05/20	1,800	352	Assistant Vice President
Amounts Paid				
Consultants				
Allen Boone Humphries Robinson LLP	08/30/07			Attorney
<i>General legal fees</i>		\$ 206,460		
<i>Bond counsel</i>		326,923		
F. Matuska, Inc.	02/01/10	18,997		Bookkeeper
Assessments of the Southwest Inc.	10/01/07	5,600		Tax Collector
Fort Bend Central Appraisal District	Legislation	678		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LP	03/03/08			Delinquent Tax Attorney
Brown & Gay Engineers Inc.	10/01/07	53,770		Engineer
McGrath & Co, PLLC	Annual	44,500		Auditor
Masterson Advisors, LLC	05/01/18	205,646		Financial Advisor
FirstSouthwest, a Division of Hilltop Securities	10/01/07			Former Financial Advisor

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

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 170**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 170
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 170
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGrath & Co, LLC

Houston, Texas
January 7, 2018

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2018***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 170 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Fort Bend County Municipal Utility District No. 170
 Management's Discussion and Analysis
 September 30, 2018**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2018, was negative \$10,112,431. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 1,441,092	\$ 1,265,386
Capital assets	968,411	
Total assets	2,409,503	1,265,386
Current liabilities	1,862,508	287,562
Long-term liabilities	10,659,426	8,782,012
Total liabilities	12,521,934	9,069,574
Net position		
Net investment in capital assets	(191,533)	
Restricted	471,503	497,906
Unrestricted	(10,392,401)	(8,302,094)
Total net position	\$ (10,112,431)	\$ (7,804,188)

Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2018

The total net position of the District decreased during the current fiscal year by \$2,308,243. A comparative summary of the District's *Statement of Activities* for the past two years is as follows

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 1,674,275	\$ 1,382,356
City of Fulshear tax rebate	63,064	43,866
Other	28,049	11,187
Total revenues	<u>1,765,388</u>	<u>1,437,409</u>
Expenses		
Operating and administrative	454,672	415,111
Interest and fees	369,223	296,367
Developer interest	124,661	116,299
Debt issuance costs	158,453	346,757
Contractual obligation	839,422	667,842
Amortization	29,346	
Total expenses	<u>1,975,777</u>	<u>1,842,376</u>
Change in net position before other item	(210,389)	(404,967)
Other item		
Transfers to other governments	<u>(2,097,854)</u>	<u>(530,256)</u>
Change in net position	(2,308,243)	(935,223)
Net position, beginning of year	(7,804,188)	(6,868,965)
Net position, end of year	<u>\$ (10,112,431)</u>	<u>\$ (7,804,188)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were \$1,420,212, which consists of \$76,011 in the General Fund, \$504,162 in the Debt Service Fund and \$840,039 in the Capital Projects Fund.

Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2018

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 87,642</u>	<u>\$ 163,488</u>
Total liabilities	\$ 10,600	\$ 7,056
Total deferred inflows	1,031	
Total fund balance	<u>76,011</u>	<u>156,432</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 87,642</u>	<u>\$ 163,488</u>

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

	2018	2017
Total revenues	<u>\$ 306,825</u>	<u>\$ 286,479</u>
Total expenditures	<u>(387,246)</u>	<u>(386,053)</u>
Revenues under expenditures	<u>\$ (80,421)</u>	<u>\$ (99,574)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax rate, property tax revenues increased because assessed values in the District increased from the prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 509,565</u>	<u>\$ 515,441</u>
Total liabilities	\$ 835	\$ -
Total deferred inflows	4,568	
Total fund balance	<u>504,162</u>	<u>515,441</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 509,565</u>	<u>\$ 515,441</u>

Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2018

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

	2018	2017
Total revenues	\$ 1,443,036	\$ 1,155,346
Total expenditures	(1,477,670)	(1,068,215)
Revenues over/(under) expenditures	(34,634)	87,131
Other changes in fund balance	23,355	78,360
Net change in fund balance	<u>\$ (11,279)</u>	<u>\$ 165,491</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues, City of Fulshear tax rebates and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contractual obligations to Fort Bend County Municipal Utility District No. 169.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 843,885</u>	<u>\$ 586,457</u>
Total liabilities	\$ 3,846	\$ 41
Total fund balance	840,039	586,416
Total liabilities and fund balance	<u>\$ 843,885</u>	<u>\$ 586,457</u>

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

	2018	2017
Total revenues	\$ 10,556	\$ 4,207
Total expenditures	(2,618,578)	(1,591,564)
Revenues under expenditures	(2,608,022)	(1,587,357)
Other changes in fund balance	2,861,645	1,441,640
Net change in fund balance	<u>\$ 253,623</u>	<u>\$ (145,717)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Park Bonds and Series 2018 Bond Anticipation Note in the current year, and issuance of its Series 2016 Unlimited Tax Bonds in the prior year.

**Fort Bend County Municipal Utility District No. 170
 Management’s Discussion and Analysis
 September 30, 2018**

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$26,684 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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

Capital assets being amortized		
Interest in regional park facilities	\$	997,757
Less accumulated amortization		<u>(29,346)</u>
Capital assets, net	<u>\$</u>	<u>968,411</u>

The District did not have any capital assets as of September 30, 2017. Capital asset additions during the current year include Master District park construction charges.

The District and the City of Fulshear (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended September 30, 2018, capital assets in the amount of \$2,097,854 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

Long-Term Debt and Related Liabilities

As of September 30, 2018, the District owes \$1,340,686 to developers for completed projects. As discussed in Note 7, the District has an additional commitment in the amount of \$2,284,772 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District’s financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

**Fort Bend County Municipal Utility District No. 170
 Management’s Discussion and Analysis
 September 30, 2018**

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2014	\$ 4,300,000	\$ 4,405,000
2016	4,050,000	4,200,000
2017 Park	1,335,000	
	<u>\$ 9,685,000</u>	<u>\$ 8,605,000</u>

During the year, the District issued \$1,335,000 in unlimited tax park bonds. At September 30, 2018, the District had \$117,340,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and related refunding purposes; \$68,525,000 for parks and recreational facilities and related refunding purposes; and \$50,400,000 for road improvements and related refunding purposes.

During the year, the District issued a \$1,550,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year’s Budget

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

	2018 Actual	2019 Budget
Total revenues	\$ 306,825	\$ 485,740
Total expenditures	(387,246)	(485,740)
Revenues under expenditures	(80,421)	
Beginning fund balance	156,432	76,011
Ending fund balance	<u>\$ 76,011</u>	<u>\$ 76,011</u>

Property Taxes

The District’s property tax base increased approximately \$45,295,000 for the 2018 tax year from \$123,968,741 to \$169,263,901. This increase was primarily due to new construction and increased property values in the District. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.29838 per \$100 of assessed value, a debt service tax rate of \$0.3675 per \$100 of assessed value and a contract tax rate of \$0.6725 for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2017 tax year were \$0.24720 per \$100 for maintenance and operations, \$0.40 per \$100 for debt service and \$0.695 per \$100 for contract tax, for a combined total of \$1.34220 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 170
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 13,386	\$ 30,326	\$ -	\$ 43,712	\$ -	\$ 43,712
Investments	73,210	469,596	843,885	1,386,691		1,386,691
Taxes receivable	1,031	4,568		5,599		5,599
Internal balances	15	(15)				
Other receivables		5,090		5,090		5,090
Capital assets, net					968,411	968,411
Total Assets	\$ 87,642	\$ 509,565	\$ 843,885	\$ 1,441,092	968,411	2,409,503
Liabilities						
Accounts payable	\$ 10,294	\$ -	\$ 3,846	\$ 14,140		14,140
Other payables	306	835		1,141		1,141
Accrued interest payable					37,227	37,227
Bond anticipation note payable					1,550,000	1,550,000
Due to developers					1,340,686	1,340,686
Long-term debt						
Due within one year					260,000	260,000
Due after one year					9,318,740	9,318,740
Total Liabilities	10,600	835	3,846	15,281	12,506,653	12,521,934
Deferred Inflows of Resources						
Deferred revenues	1,031	4,568		5,599	(5,599)	
Fund Balances/Net Position						
Fund Balances						
Restricted		504,162	840,039	1,344,201	(1,344,201)	
Unassigned	76,011			76,011	(76,011)	
Total Fund Balances	76,011	504,162	840,039	1,420,212	(1,420,212)	
Total Liabilities and Fund Balances	\$ 87,642	\$ 509,565	\$ 843,885	\$ 1,441,092		
Net Position						
Net investment in capital assets					(191,533)	(191,533)
Restricted for debt service					471,503	471,503
Unrestricted					(10,392,401)	(10,392,401)
Total Net Position					\$ (10,112,431)	\$ (10,112,431)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 170
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 304,861	\$ 1,352,745	\$ -	\$ 1,657,606	\$ 5,599	\$ 1,663,205
Penalties and interest		11,070		11,070		11,070
City of Fulshear tax rebate		63,064		63,064		63,064
Accrued interest on bonds sold		628		628	(628)	
Miscellaneous		80		80		80
Investment earnings	1,964	15,449	10,556	27,969		27,969
Total Revenues	306,825	1,443,036	10,556	1,760,417	4,971	1,765,388
Expenditures/Expenses						
Operating and administrative						
Professional fees	79,850		37,207	117,057		117,057
Contracted services	10,900	28,659		39,559		39,559
Master District fees	277,350			277,350		277,350
Administrative	19,146	1,560		20,706		20,706
Capital outlay			2,298,257	2,298,257	(2,298,257)	
Debt service						
Principal		255,000		255,000	(255,000)	
Interest and fees		353,029		353,029	16,194	369,223
Developer interest			124,661	124,661		124,661
Debt issuance costs			158,453	158,453		158,453
Contractual obligation		839,422		839,422		839,422
Amortization					29,346	29,346
Total Expenditures	387,246	1,477,670	2,618,578	4,483,494	(2,507,717)	1,975,777
Revenues Under						
Expenditures/Expenses	(80,421)	(34,634)	(2,608,022)	(2,723,077)	2,512,688	(210,389)
Other Financing Sources/Uses						
Proceeds from sale of bonds		23,355	1,311,645	1,335,000	(1,335,000)	
Proceeds from bond anticipation note			1,550,000	1,550,000	(1,550,000)	
Other Items						
Transfers to other governments					(2,097,854)	(2,097,854)
Net Change in Fund Balances	(80,421)	(11,279)	253,623	161,923	(161,923)	
Change in Net Position					(2,308,243)	(2,308,243)
Fund Balance/Net Position						
Beginning of the year	156,432	515,441	586,416	1,258,289	(9,062,477)	(7,804,188)
End of the year	\$ 76,011	\$ 504,162	\$ 840,039	\$ 1,420,212	\$ (11,532,643)	\$ (10,112,431)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 170 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 22, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 7, 2008, and the first bonds were sold on December 4, 2014.

The District’s primary activities include the provision of water, sewer, drainage, recreational, and road facilities. As further discussed in Note 10, the District transfers certain of these facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and the District's contractual obligation to Fort Bend County Municipal Utility District No. 169 (the "Master District"). The primary source of revenue for debt service is property taxes and City of Fulshear tax rebates. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, and drainage facilities and the Master District regional park facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of interest in regional park facilities, are amortized using the straight-line method as follows:

Assets	Useful Life
Interest in regional park facilities	Remaining life of the contract

Deferred Inflows and Outflows of Financial Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 1,420,212
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 997,757
Less accumulated amortization	<u>(29,346)</u>
Change due to capital assets	968,411
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	
Property taxes receivable	5,599
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:	
Bonds payable, net	(9,578,740)
Bond anticipation note	(1,550,000)
Interest payable on bonds	<u>(37,227)</u>
Change due to long-term debt	(11,165,967)
Amounts due to the District's developers for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .	(1,340,686)
Total net position - governmental activities	<u><u>\$ (10,112,431)</u></u>

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

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

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

Net change in fund balances - total governmental funds \$ 161,923

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 5,599

Governmental funds report capital outlays for developer reimbursements and connection fees paid to the Master District as expenditures in the funds. In the government wide statements, the cost of connection fees paid to the Master District are charged to expense over the remaining life of contract, while developer reimbursements reduce the amount due to developer.

Capital outlays	\$ 2,298,257	
Amortization expense	(29,346)	2,268,911

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

Issuance of long term debt	(1,335,000)	
Issuance of bond anticipation note	(1,550,000)	
Principal payments	255,000	
Interest expense accrual	(16,822)	
		(2,646,822)

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements. However, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,097,854)

Change in net position of governmental activities		\$ (2,308,243)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2018, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 73,210	AAAm	28 days
	Debt Service	469,596		
	Capital Projects	843,885		
		<u>\$ 1,386,691</u>		

*Fort Bend County Municipal Utility District No. 170
 Notes to Basic Financial Statements
 September 30, 2018*

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 15	Maintenance tax collections not remitted as of year end

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

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2018, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ -	\$ 997,757	\$ 997,757
Less accumulated amortization		(29,346)	(29,346)
Capital assets, net	<u>\$ -</u>	<u>\$ 968,411</u>	<u>\$ 968,411</u>

Amortization expense for the current year was \$29,346.

Note 6 – Bond Anticipation Note

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

On July 11, 2018, the District issued a \$1,550,000 BAN with an interest rate of 2.48%, which is due on July 10, 2019. This BAN was repaid subsequent to year end. See Note 15 for additional information.

The effect of this transaction on the District’s short term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	1,550,000
Ending balance	<u>\$ 1,550,000</u>

Note 7 – Due to Developers

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

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 543,332
Developer funded construction and adjustments	2,097,854
Developer reimbursements	<u>(1,300,500)</u>
Due to developers, end of year	<u><u>\$ 1,340,686</u></u>

In addition, the District will owe the developers approximately \$2,284,772, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Water, sewer, and drainage facilities to serve:			
The Brooks at Cross Creek Ranch, Section 3	\$ 1,315,165	\$ 1,180,340	\$ 134,825
West Cross Creek Bend Lane Extension No. 4 *	507,323	431,572	75,751
Fulshear Bend Drive Extension No. 3 *	462,284	297,469	164,815
	<u><u>\$ 2,284,772</u></u>	<u><u>\$ 1,909,381</u></u>	<u><u>\$ 375,391</u></u>

* Denotes District share only

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 9,685,000
Unamortized discounts	<u>(106,260)</u>
	<u><u>\$ 9,578,740</u></u>
Due within one year	<u><u>\$ 260,000</u></u>

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at September 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2014	\$ 4,300,000	\$ 4,600,000	2.00% - 4.20%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2016	4,050,000	4,200,000	2.00% - 4.30%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017 Park	1,335,000	1,335,000	2.00% - 4.00%	September 1, 2020/2041	March 1, September 1	September 1, 2024
	<u>\$ 9,685,000</u>					

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

At September 30, 2018, the District had authorized but unissued bonds in the amount of \$117,340,000 for water, sewer and drainage facilities and related refunding purposes; \$68,525,000 for park and recreational facilities and related refunding purposes; and \$50,400,000 for road improvements and related refunding purposes.

On December 6, 2017, the District issued its \$1,335,000 Series 2017 Unlimited Tax Park Bonds at a net effective interest rate of 3.899251%. Proceeds of the bonds were used to (1) to pay park construction charges to the Master District for the District’s share of regional park and recreational facilities; and (2) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 8,605,000
Bonds issued	1,335,000
Bonds retired	(255,000)
Bonds payable, end of year	<u>\$ 9,685,000</u>

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

As of September 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 260,000	\$ 356,231	\$ 616,231
2020	350,000	351,031	701,031
2021	345,000	343,344	688,344
2022	350,000	334,869	684,869
2023	360,000	325,394	685,394
2024	365,000	314,744	679,744
2025	375,000	303,474	678,474
2026	385,000	291,196	676,196
2027	395,000	277,801	672,801
2028	405,000	263,756	668,756
2029	415,000	248,670	663,670
2030	425,000	232,918	657,918
2031	435,000	216,730	651,730
2032	450,000	199,570	649,570
2033	460,000	181,400	641,400
2034	475,000	162,830	637,830
2035	490,000	143,660	633,660
2036	505,000	123,740	628,740
2037	520,000	103,060	623,060
2038	540,000	81,180	621,180
2039	560,000	58,460	618,460
2040	410,000	34,900	444,900
2041	410,000	17,450	427,450
	<u>\$ 9,685,000</u>	<u>\$ 4,966,408</u>	<u>\$ 14,651,408</u>

Note 9 – Property Taxes

On November 3, 2009, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.34220 per \$100 of assessed value, of which \$0.24720 was allocated to maintenance and operations, \$0.40 was allocated to debt service and \$0.695 was allocated to contract tax. The resulting tax levy was \$1,663,908 on the adjusted taxable value of \$123,968,741.

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the "City"), the District transfers certain facilities to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2018, the total amount reported as transfers to other governments was of \$2,097,854.

Note 11 – Utility Agreement with the City of Fulshear

On November 11, 2009, the District entered into a Utility Agreement, as subsequently amended, (the "Utility Agreement") with the City of Fulshear (the "City"), for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the "System") to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City, but will reserve a security interest in the System. The Utility Agreement expires on November 11, 2045, which is 30 years from the year after the year the District first issued unlimited tax bonds.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City.

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value. The City will continue to pay the tax rebate for 30 years from the year after the year the District first issued unlimited tax bonds. If the City's tax rate is equal to or less than \$0.10 then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28th of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City will vary year to year. During the current year, the District recorded revenues of \$63,064 in rebates from the City.

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 12 – Master District

On November 11, 2009, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to, or accepted by, the City of Fulshear (the “City”) pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$277,350 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district’s pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. During the current fiscal year, the District paid \$1,122,418 in park construction charges to the Master District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2017 tax year, the District’s pro rata share is 10.25%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$839,422 to the Master District for its pro rata share of Master District debt service requirements.

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 12 – Master District (continued)

As of September 30, 2018, the Master District has \$104,540,000 contract revenue bonds outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2019	\$ 3,870,000	\$ 3,746,281	\$ 7,616,281
2020	4,015,000	3,610,433	7,625,433
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,659	7,480,659
2024 - 2028	20,985,000	14,002,485	34,987,485
2029 - 2033	24,410,000	10,027,577	34,437,577
2034 - 2038	26,350,000	4,875,097	31,225,097
2039 - 2043	12,340,000	798,841	13,138,841
	<u>\$ 104,540,000</u>	<u>\$ 47,061,903</u>	<u>\$ 151,601,903</u>

The Contract also authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall bill the District an amount calculated by multiplying the monthly fee (as described above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. The Master District has not yet established the operating and maintenance reserve.

Note 13 – Risk Management

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

Note 14 – Concentration of Risk

The developers continue to own a significant portion of the taxable property within the District. The developers’ ability to make pay future property taxes may affect the District’s ability to meet its future obligations.

Note 15 – Subsequent Events

Issuance of Unlimited Tax Bonds

On December 5, 2018, the District issued its \$2,400,000 Series 2018 Unlimited Tax Bonds at a net effective rate of 4.4192%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements in the District and repay the Series 2018 bond anticipation note.

Fort Bend County Municipal Utility District No. 170
Notes to Basic Financial Statements
September 30, 2018

Note 15 – Subsequent Events (continued)

Master District Debt Issuance

On November 27, 2018, the Master District issued its \$5,570,000 Series 2018 Contract Revenue Bonds at a net effective rate of 4.163726%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities and to reimburse the developers for road improvements and certain road related landscaping improvements constructed to serve the Master District service area.

On December 6, 2018, the Master District issued its \$23,000,000 Series 2018A Contract Revenue Bonds at a net effective rate of 4.159942%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities, to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2018 bond anticipation note.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 170
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 222,925	\$ 297,400	\$ 304,861	\$ 7,461
Investment earnings	1,000	1,000	1,964	964
Total Revenues	223,925	298,400	306,825	8,425
Expenditures				
Operating and administrative				
Professional fees	99,500	99,500	79,850	19,650
Contracted services	11,000	11,000	10,900	100
Master District fees	305,040	305,040	277,350	27,690
Administrative	25,490	25,490	19,146	6,344
Total Expenditures	441,030	441,030	387,246	53,784
Revenues Under Expenditures	(217,105)	(142,630)	(80,421)	62,209
Other Financing Sources				
Developer advances	110,000	35,525		(35,525)
Net Change in Fund Balance	(107,105)	(107,105)	(80,421)	26,684
Fund Balance				
Beginning of the year	156,432	156,432	156,432	
End of the year	\$ 49,327	\$ 49,327	\$ 76,011	\$ 26,684

Fort Bend County Municipal Utility District No. 170
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 170
TSI-1. Services and Rates
September 30, 2018

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

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by the City of Fulshear for operation and maintenance.</u> | | | |

2. Retail Service Providers N/A
 (You may omit this information if your district does not provide retail services)

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 170
TSI-1. Services and Rates
September 30, 2018

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

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2018*

Professional fees		
Legal	\$	68,134
Audit		9,500
Engineering		2,216
		<u>79,850</u>
Contracted services		
Bookkeeping		<u>10,900</u>
Master District fees		<u>277,350</u>
Administrative		
Directors fees		8,400
Printing and office supplies		1,090
Insurance		4,642
Utilities		444
Other		4,570
		<u>19,146</u>
Total expenditures	\$	<u><u>387,246</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	497 kWh	\$ 444
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-3. Investments
September 30, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General				
TexPool	7946300001	Variable	N/A	\$ 73,210
Debt Service				
TexPool	7946300003	Variable	N/A	328,090
TexPool	7946300004	Variable	N/A	141,506
				<u>469,596</u>
Capital Projects				
TexPool	7946300002	Variable	N/A	799,749
TexPool	7946300005	Variable	N/A	44,136
				<u>843,885</u>
Total - All Funds				<u><u>\$ 1,386,691</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-4. Taxes Levied and Receivable
September 30, 2018

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	\$ -
2017 Original Tax Levy	298,276	838,599	482,647	1,619,522
Adjustments	8,175	22,983	13,228	44,386
Adjusted Tax Levy	306,451	861,582	495,875	1,663,908
Tax collections				
Current year	305,420	858,683	494,206	1,658,309
Taxes Receivable, End of Year	\$ 1,031	\$ 2,899	\$ 1,669	\$ 5,599
	2017	2016	2015	2014
Property Valuations				
Land	\$ 51,185,200	\$ 43,510,480	\$ 34,406,680	\$ 30,722,050
Improvements	74,628,160	59,687,350	45,195,010	20,350,600
Personal Property	1,127,590	903,810	171,780	122,570
Exemptions	(2,972,209)	(1,838,540)	(1,726,832)	(873,123)
Total Property Valuations	\$123,968,741	\$ 102,263,100	\$ 78,046,638	\$ 50,322,097
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.24720	\$ 0.28899	\$ 0.29426	\$ 0.6276
Contract tax rates	0.69500	0.69500	0.69500	0.6950
Debt service tax rates	0.40000	0.36000	0.35000	
Total Tax Rates per \$100 Valuation	\$ 1.34220	\$ 1.34399	\$ 1.33926	\$ 1.3226
Adjusted Tax Levy	\$ 1,663,908	\$ 1,374,406	\$ 1,045,247	\$ 665,560
Percentage of Taxes Collected to Taxes Levied ***	99.66%	100.00%	100.00%	100.00%

* Maximum maintenance tax rate approved by voters for water, wastewater, drainage and recreational facilities: \$1.50 on November 3, 2009

** Maximum maintenance tax rate approved by voters for road facilities: \$0.25 on November 3, 2009

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 110,000	\$ 158,801	\$ 268,801
2020	115,000	156,601	271,601
2021	125,000	154,014	279,014
2022	130,000	150,889	280,889
2023	140,000	147,314	287,314
2024	145,000	143,114	288,114
2025	155,000	138,764	293,764
2026	165,000	133,726	298,726
2027	175,000	127,951	302,951
2028	185,000	121,826	306,826
2029	195,000	115,120	310,120
2030	205,000	107,808	312,808
2031	215,000	100,120	315,120
2032	230,000	91,520	321,520
2033	240,000	82,320	322,320
2034	255,000	72,720	327,720
2035	270,000	62,520	332,520
2036	285,000	51,720	336,720
2037	300,000	40,320	340,320
2038	320,000	27,720	347,720
2039	340,000	14,280	354,280
	<u>\$ 4,300,000</u>	<u>\$ 2,199,168</u>	<u>\$ 6,499,168</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 150,000	\$ 152,220	\$ 302,220
2020	160,000	149,220	309,220
2021	160,000	145,620	305,620
2022	160,000	141,620	301,620
2023	160,000	137,220	297,220
2024	160,000	132,420	292,420
2025	160,000	127,300	287,300
2026	160,000	121,860	281,860
2027	160,000	116,100	276,100
2028	160,000	110,100	270,100
2029	160,000	103,700	263,700
2030	160,000	97,300	257,300
2031	160,000	90,900	250,900
2032	160,000	84,500	244,500
2033	160,000	77,780	237,780
2034	160,000	71,060	231,060
2035	160,000	64,340	224,340
2036	160,000	57,620	217,620
2037	160,000	50,740	210,740
2038	160,000	43,860	203,860
2039	160,000	36,980	196,980
2040	350,000	30,100	380,100
2041	350,000	15,050	365,050
	<u>\$ 4,050,000</u>	<u>\$ 2,157,610</u>	<u>\$ 6,207,610</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ -	\$ 45,210	\$ 45,210
2020	75,000	45,210	120,210
2021	60,000	43,710	103,710
2022	60,000	42,360	102,360
2023	60,000	40,860	100,860
2024	60,000	39,210	99,210
2025	60,000	37,410	97,410
2026	60,000	35,610	95,610
2027	60,000	33,750	93,750
2028	60,000	31,830	91,830
2029	60,000	29,850	89,850
2030	60,000	27,810	87,810
2031	60,000	25,710	85,710
2032	60,000	23,550	83,550
2033	60,000	21,300	81,300
2034	60,000	19,050	79,050
2035	60,000	16,800	76,800
2036	60,000	14,400	74,400
2037	60,000	12,000	72,000
2038	60,000	9,600	69,600
2039	60,000	7,200	67,200
2040	60,000	4,800	64,800
2041	60,000	2,400	62,400
	<u>\$ 1,335,000</u>	<u>\$ 609,630</u>	<u>\$ 1,944,630</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 260,000	\$ 356,231	\$ 616,231
2020	350,000	351,031	701,031
2021	345,000	343,344	688,344
2022	350,000	334,869	684,869
2023	360,000	325,394	685,394
2024	365,000	314,744	679,744
2025	375,000	303,474	678,474
2026	385,000	291,196	676,196
2027	395,000	277,801	672,801
2028	405,000	263,756	668,756
2029	415,000	248,670	663,670
2030	425,000	232,918	657,918
2031	435,000	216,730	651,730
2032	450,000	199,570	649,570
2033	460,000	181,400	641,400
2034	475,000	162,830	637,830
2035	490,000	143,660	633,660
2036	505,000	123,740	628,740
2037	520,000	103,060	623,060
2038	540,000	81,180	621,180
2039	560,000	58,460	618,460
2040	410,000	34,900	444,900
2041	410,000	17,450	427,450
	<u>\$ 9,685,000</u>	<u>\$ 4,966,408</u>	<u>\$ 14,651,408</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-6. Change in Long-Term Bonded Debt
September 30, 2018

	Bond Issue			Totals
	Series 2014	Series 2016	Series 2017	
Interest rate	2.00% - 4.20%	2.00% - 4.30%	2.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/16 - 9/1/39	9/1/18 - 9/1/41	9/1/20 - 9/1/41	
Beginning bonds outstanding	\$ 4,405,000	\$ 4,200,000	\$ -	\$ 8,605,000
Bonds issued			1,335,000	1,335,000
Bonds retired	(105,000)	(150,000)		(255,000)
Ending bonds outstanding	<u>\$ 4,300,000</u>	<u>\$ 4,050,000</u>	<u>\$ 1,335,000</u>	<u>\$ 9,685,000</u>
Interest paid during fiscal year	<u>\$ 160,901</u>	<u>\$ 155,220</u>	<u>\$ 33,908</u>	<u>\$ 350,029</u>
Paying agent's name and city All Series	<u>The Bank Of New York Mellon Trust Company, N.A., Dallas, Texas</u>			

Bond Authority:	Water, Sewer and Drainage		
	Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 126,140,000	\$ 69,860,000	\$ 50,400,000
Amount Issued	(8,800,000)	(1,335,000)	
Remaining To Be Issued	<u>\$ 117,340,000</u>	<u>\$ 68,525,000</u>	<u>\$ 50,400,000</u>

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

Debt Service Fund cash and investments balances as of September 30, 2018:	<u>\$ 499,922</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 610,475</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 304,861	\$ 285,929	\$ 229,660	\$ 315,822	\$ 160,975
Investment earnings	1,964	550	257	174	35
Total Revenues	<u>306,825</u>	<u>286,479</u>	<u>229,917</u>	<u>315,996</u>	<u>161,010</u>
Expenditures					
Operating and administrative					
Professional fees	79,850	143,124	45,415	36,228	40,082
Contracted services	10,900	10,640	13,375	18,596	14,247
Master District fees	277,350	215,550	154,440	81,960	74,160
Administrative	19,146	16,739	14,227	12,551	14,138
Total Expenditures	<u>387,246</u>	<u>386,053</u>	<u>227,457</u>	<u>149,335</u>	<u>142,627</u>
Revenues Over (Under) Expenditures	<u>\$ (80,421)</u>	<u>\$ (99,574)</u>	<u>\$ 2,460</u>	<u>\$ 166,661</u>	<u>\$ 18,383</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
99%	100%	100%	100%	100%
1%	*	*	*	*
100%	100%	100%	100%	100%
26%	50%	20%	11%	25%
4%	4%	6%	6%	9%
90%	75%	67%	26%	46%
6%	6%	6%	4%	9%
126%	135%	99%	47%	89%
(26%)	(35%)	1%	53%	11%

Fort Bend County Municipal Utility District No. 170

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 1,352,745	\$ 1,089,642	\$ 816,346	\$ 349,798	\$ 186,142
Penalties and interest	11,070	6,785	6,776	2,205	1,462
City of Fulshear tax rebate	63,064	43,866	37,142	24,574	
Accrued interest on bonds sold	628	8,623		1,373	
Miscellaneous	80	250	130	200	
Investment earnings	15,449	6,180	968	607	126
Total Revenues	1,443,036	1,155,346	861,362	378,757	187,730
Expenditures					
Tax collection services	30,219	18,807	11,321		
Administrative				2,644	1,805
Debt service					
Principal	255,000	100,000	95,000		
Interest and fees	353,029	281,566	165,551	328,103	176,732
Contractual obligation	839,422	667,842	513,757	124,351	
Total Expenditures	1,477,670	1,068,215	785,629	455,098	178,537
Revenues Over (Under) Expenditures	\$ (34,634)	\$ 87,131	\$ 75,733	\$ (76,341)	\$ 9,193
Total Active Retail Water Connections	N/A	N/A	N/A	N/A	N/A
Total Active Retail Wastewater Connections	N/A	N/A	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
94%	93%	95%	92%	99%
1%	1%	1%	1%	1%
4%	4%	4%	7%	
*	1%		*	
*	*	*	*	
1%	1%	*	*	*
100%	100%	100%	100%	100%
2%	2%	1%		
			1%	1%
18%	9%	11%		
24%	24%	19%	87%	94%
58%	58%	60%	33%	
102%	93%	91%	121%	95%
(2%)	7%	9%	(21%)	5%

Fort Bend County Municipal Utility District No. 170
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): June 4, 2018
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
CJ McDaniel	6/18 - 5/22	\$ 2,400	\$ 545	President
Lisa Johns	6/16 - 5/20	1,500	100	Vice President
Kela Sumrall	6/16 - 5/20	600	99	Secretary
Stephen Burke	6/18 - 5/22	300	70	Assistant Vice President
Cindy Morrow	6/16 - 5/20	2,100	243	Assistant Secretary
Cathy Verret	5/14 - 5/18	1,500	270	Former Assistant Vice President
Consultants				
Allen Boone Humphries Robinson LLP	8/08			Attorney
<i>General legal fees</i>		\$ 75,472		
<i>Bond counsel</i>		56,738		
F. Matuska, Inc.	2/10	12,567		Bookkeeper
Assessments of the Southwest, Inc.	11/08	9,494		Tax Collector
Fort Bend Central Appraisal District	Legislation	14,737		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	11/08	4,428		Delinquent Tax Attorney
Brown & Gay Engineers	11/08	4,323		Engineer
McGrath & Co, PLLC	8/13	16,000		Auditor
Masterson Advisors, LLC	5/18	9,500		Financial Advisor
Hilltop Securities, Inc.	11/08	31,313		Former Financial Advisor

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

See accompanying auditors' report.

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 171**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 171
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 171, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 171
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 171, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGuire & Co, P.C.

Houston, Texas
January 14, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2018***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 171 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Fort Bend County Municipal Utility District No. 171
 Management’s Discussion and Analysis
 September 30, 2018**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District’s net position at September 30, 2018, was negative \$8,609,969. The District’s net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District’s overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 2,679,024	\$ 2,439,005
Capital assets	2,763,725	3,077,876
Total assets	<u>5,442,749</u>	<u>5,516,881</u>
 Total deferred outflows of resources	 <u>62,208</u>	 <u> </u>
 Current liabilities	 549,401	 510,526
Long-term liabilities	<u>13,565,525</u>	<u>13,808,657</u>
Total liabilities	<u>14,114,926</u>	<u>14,319,183</u>
 Net position		
Net investment in capital assets	(360,201)	(425,388)
Restricted	1,764,616	1,572,853
Unrestricted	<u>(10,014,384)</u>	<u>(9,949,767)</u>
Total net position	<u>\$ (8,609,969)</u>	<u>\$ (8,802,302)</u>

**Fort Bend County Municipal Utility District No. 171
 Management's Discussion and Analysis
 September 30, 2018**

The total net position of the District increased during the current fiscal year by \$192,333. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 4,049,133	\$ 4,243,819
City of Fulshear tax rebate	197,607	177,871
Other	51,408	7,813
Total revenues	<u>4,298,148</u>	<u>4,429,503</u>
Expenses		
Operating and administrative	506,229	562,915
Debt interest and fees	717,629	749,222
Debt issuance costs	130,902	
Contractual obligation	2,436,903	2,474,014
Amortization	92,124	92,124
Total expenses	<u>3,883,787</u>	<u>3,878,275</u>
Change in net position	192,333	551,228
Net position, beginning of year	<u>(8,802,302)</u>	<u>(9,353,530)</u>
Net position, end of year	<u>\$ (8,609,969)</u>	<u>\$ (8,802,302)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were \$2,628,883, which consists of \$549,605 in the General Fund, \$1,782,664 in the Debt Service Fund and \$296,614 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 561,554</u>	<u>\$ 483,777</u>
Total liabilities	\$ 8,161	\$ 7,279
Total deferred inflows	3,788	4,627
Total fund balance	549,605	471,871
Total liabilities, deferred inflows and fund balance	<u>\$ 561,554</u>	<u>\$ 483,777</u>

**Fort Bend County Municipal Utility District No. 171
 Management's Discussion and Analysis
 September 30, 2018**

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 511,153	\$ 626,302
Total expenditures	<u>(433,419)</u>	<u>(2,205,503)</u>
Revenues over/(under) expenditures	<u>\$ 77,734</u>	<u>\$ (1,579,201)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues decreased from prior year because the District decreased the maintenance and operations component of the levy and because assessed values decreased from prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 1,820,856</u>	<u>\$ 1,631,100</u>
Total liabilities	\$ 9,705	\$ 1,209
Total deferred inflows	28,487	29,512
Total fund balance	<u>1,782,664</u>	<u>1,600,379</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,820,856</u>	<u>\$ 1,631,100</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 3,784,736	\$ 3,810,682
Total expenditures	<u>(3,767,861)</u>	<u>(3,677,462)</u>
Revenues over expenditures	<u>\$ 16,875</u>	<u>\$ 133,220</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear tax rebates. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and its contract obligation to Fort Bend County Municipal Utility District No. 169.

**Fort Bend County Municipal Utility District No. 171
 Management's Discussion and Analysis
 September 30, 2018**

During the current year, the District issued \$2,790,000 in refunding bonds to refund \$2,700,000 of its outstanding Series 2009 bonds. This refunding will save the District \$497,816 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 296,614</u>	<u>\$ 324,128</u>
Total fund balance	<u>\$ 296,614</u>	<u>\$ 324,128</u>

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

	2018	2017
Total revenues	<u>\$ 4,121</u>	<u>\$ 602</u>
Total expenditures	<u>(31,635)</u>	<u>(48,322)</u>
Revenues under expenditures	<u>\$ (27,514)</u>	<u>\$ (47,720)</u>

The District has not had any significant capital asset activity in the last two years.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$55,564 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2018

Capital assets held by the District at September 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ -</u>	<u>\$ 222,028</u>
Capital assets being amortized		
Interest in regional park facilities	3,098,700	3,098,700
Less accumulated amortization	<u>(334,975)</u>	<u>(242,852)</u>
Depreciable capital assets, net	<u>2,763,725</u>	<u>2,855,848</u>
Capital assets, net	<u><u>\$ 2,763,725</u></u>	<u><u>\$ 3,077,876</u></u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2018, the District owes \$377,400 to its developer for completed projects. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds.

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2018</u>	<u>2017</u>
2009	\$ -	\$ 2,785,000
2010	4,365,000	4,495,000
2011	3,710,000	3,820,000
2011A	1,520,000	1,600,000
2012 Park	1,485,000	1,525,000
2018R	2,790,000	
	<u><u>\$ 13,870,000</u></u>	<u><u>\$ 14,225,000</u></u>

At September 30, 2018, the District had \$54,098,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and related refunding purposes; \$35,500,000 for parks and recreational facilities and related refunding purposes; and \$17,150,000 for road improvements and related refunding purposes.

**Fort Bend County Municipal Utility District No. 171
 Management’s Discussion and Analysis
 September 30, 2018**

Next Year’s Budget

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

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 511,153	\$ 506,740
Total expenditures	<u>(433,419)</u>	<u>(473,600)</u>
Revenues over expenditures	77,734	33,140
Beginning fund balance	<u>471,871</u>	<u>549,605</u>
Ending fund balance	<u><u>\$ 549,605</u></u>	<u><u>\$ 582,745</u></u>

Property Taxes

The District’s property tax base increased approximately \$676,000 for the 2018 tax year from \$361,464,042 to \$362,139,822. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.1415 per \$100 of assessed value, a debt service tax rate of \$0.27 per \$100 of assessed value and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.1065 per \$100. Tax rates for the 2017 tax year were \$0.14 per \$100 for maintenance and operations, \$0.2825 per \$100 for debt service and \$0.695 per \$100 for contract tax for a combined total of \$1.1175 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 171
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 216,001	\$ 101,040	\$ 24,244	\$ 341,285	\$ -	\$ 341,285
Investments	351,725	1,658,508	272,370	2,282,603		2,282,603
Taxes receivable	3,788	28,487		32,275		32,275
Internal balances	(11,004)	11,004				
Other receivables	1,044	21,817		22,861		22,861
Capital assets, net					2,763,725	2,763,725
Total Assets	<u>\$ 561,554</u>	<u>\$ 1,820,856</u>	<u>\$ 296,614</u>	<u>\$ 2,679,024</u>	<u>2,763,725</u>	<u>5,442,749</u>
Deferred Outflows of Resources						
Deferred difference on refunding					62,208	62,208
Liabilities						
Accounts payable	\$ 7,541	\$ -	\$ -	\$ 7,541		7,541
Other payables	620	1,279		1,899		1,899
Accrued interest payable		8,426		8,426	46,535	54,961
Due to developer					377,400	377,400
Long-term debt						
Due within one year					485,000	485,000
Due after one year					13,188,125	13,188,125
Total Liabilities	<u>8,161</u>	<u>9,705</u>	<u></u>	<u>17,866</u>	<u>14,097,060</u>	<u>14,114,926</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>3,788</u>	<u>28,487</u>	<u></u>	<u>32,275</u>	<u>(32,275)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		1,782,664	296,614	2,079,278	(2,079,278)	
Unassigned	549,605			549,605	(549,605)	
Total Fund Balances	<u>549,605</u>	<u>1,782,664</u>	<u>296,614</u>	<u>2,628,883</u>	<u>(2,628,883)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 561,554</u>	<u>\$ 1,820,856</u>	<u>\$ 296,614</u>	<u>\$ 2,679,024</u>		
Net Position						
Net investment in capital assets					(360,201)	(360,201)
Restricted for debt service					1,764,616	1,764,616
Unrestricted					(10,014,384)	(10,014,384)
Total Net Position					<u>\$ (8,609,969)</u>	<u>\$ (8,609,969)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 171
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 504,325	\$ 3,525,341	\$ -	\$ 4,029,666	\$ (2,537)	\$ 4,027,129
Penalties and interest		21,329		21,329	675	22,004
City of Fulshear tax rebate		197,607		197,607		197,607
Investment earnings	6,828	40,459	4,121	51,408		51,408
Total Revenues	511,153	3,784,736	4,121	4,300,010	(1,862)	4,298,148
Expenditures/Expenses						
Operating and administrative						
Professional fees	78,048		4,615	82,663		82,663
Contracted services	11,205	39,046		50,251		50,251
Master District fees	323,640			323,640		323,640
Administrative	20,526	2,129	100	22,755		22,755
Other			26,920	26,920		26,920
Debt service						
Principal		445,000		445,000	(445,000)	
Interest and fees		713,881		713,881	3,748	717,629
Debt issuance costs		130,902		130,902		130,902
Contractual obligation		2,436,903		2,436,903		2,436,903
Amortization					92,124	92,124
Total Expenditures/Expenses	433,419	3,767,861	31,635	4,232,915	(349,128)	3,883,787
Revenues Over (Under) Expenditures/Expenses	77,734	16,875	(27,514)	67,095	347,266	414,361
Other Financing Sources/(Uses)						
Proceeds from sale of refunding bonds		2,790,000		2,790,000	(2,790,000)	
Bond premium		75,410		75,410	(75,410)	
Debt service - principal		(2,700,000)		(2,700,000)	2,700,000	
Transfers to other governments					(222,028)	(222,028)
Net Change in Fund Balances Change in Net Position	77,734	182,285	(27,514)	232,505	(232,505)	192,333
Fund Balance/Net Position						
Beginning of the year	471,871	1,600,379	324,128	2,396,378	(11,198,680)	(8,802,302)
End of the year	\$ 549,605	\$ 1,782,664	\$ 296,614	\$ 2,628,883	\$ (11,238,852)	\$ (8,609,969)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 171 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 21, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 30, 2007 and the first bonds were sold on November 16, 2009.

The District’s primary activities include construction of water, sewer, drainage, recreational and road facilities. As further discussed in Note 10, the District transfers certain facilities to the City of Fulshear for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the "Master District"). The primary sources of revenue for debt service are property taxes and City of Fulshear tax rebates. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities and the Master District's regional park facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

The District's interest in regional park facilities is amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds \$ 2,628,883

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 3,098,700	
Less accumulated amortization	(334,975)	
Change due to capital assets		2,763,725

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(13,673,125)	
Interest payable on bonds	(46,535)	
Change due to long-term debt		(13,719,660)

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

62,208

Amounts due to the District's developer for prefunded construction are recorded as a liability in the *Statement of Net Position*.

(377,400)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	24,545	
Penalty and interest receivable	7,730	
Change due to property taxes		32,275

Total net position - governmental activities \$ (8,609,969)

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

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

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

Net change in fund balances - total governmental funds \$ 232,505

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (1,862)

The repayment of bond principal uses current financial resources. However, this transaction does not have any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Proceeds from the sale of refunding bonds	\$(2,790,000)	
Bond premium	(75,410)	
Principal payments	3,145,000	
Interest expense accrual	<u>(3,748)</u>	
		275,842

In the *Statement of Activities*, the cost of capital assets is charged to amortization expense over the estimated useful life of the asset. (92,124)

Change in net position of governmental activities \$ 192,333

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of September 30, 2018, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 351,725		
	Debt Service	1,658,508		
	Capital Projects	272,370		
Total		<u>\$ 2,282,603</u>	AAAm	28 days

TexPool

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

*Fort Bend County Municipal Utility District No. 171
 Notes to Basic Financial Statements
 September 30, 2018*

Note 3 – Deposits and Investments (continued)

TexPool (continued)

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 18	Maintenance tax collections remitted in excess of taxes collected as of year end
Debt Service Fund	General Fund	10,986	Proceeds from the sale of refunding bonds in excess of bond issuance costs paid by the General Fund

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

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2018, is as follows:

	Beginning Balances	Additions/ Retirements	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 222,028	\$ (222,028)	\$ -
Capital assets being amortized			
Interest in regional park facilities	3,098,700		3,098,700
Less accumulated amortization	(242,852)	(92,123)	(334,975)
Subtotal depreciable capital assets, net	<u>2,855,848</u>	<u>(92,123)</u>	<u>2,763,725</u>
Capital assets, net	<u>\$ 3,077,876</u>	<u>\$ (314,151)</u>	<u>\$ 2,763,725</u>

Amortization expense for the current year was \$92,123. During the current year it was determined that the District had capitalized amounts related to the District’s share of City of Fulshear drainage facilities. These amounts recorded as transfers to other governments.

Note 6 – Due to Developer

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

The amount due to developer at September 30, 2018 is \$377,400. There was no change in this liability from the prior year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 13,870,000
Unamortized discounts	(267,849)
Unamortized premium	70,974
	<u>\$ 13,673,125</u>
Due within one year	<u>\$ 485,000</u>

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at September 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 4,365,000	\$ 5,100,000	4.00% - 6.00%	September 1, 2012/2035	March 1, September 1	September 1, 2019
2011	3,710,000	4,270,000	4.00% - 5.00%	September 1, 2013/2036	March 1, September 1	September 1, 2019
2011A	1,520,000	1,760,000	4.00% - 6.00%	September 1, 2016/2038	March 1, September 1	September 1, 2020
2012 Park	1,485,000	1,600,000	3.25% - 5.75%	September 1, 2016/2038	March 1, September 1	September 1, 2021
2018R	2,790,000	2,790,000	3.00% - 4.00%	September 1, 2019/2034	March 1, September 1	September 1, 2024
	<u>\$ 13,870,000</u>					

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

At September 30, 2018, the District had authorized but unissued bonds in the amount of \$54,098,000 for water, sewer and drainage facilities and related refunding purposes; \$35,500,000 for park and recreational facilities and related refunding purposes; and \$17,150,000 for road improvements and refunding purposes.

On August 30, 2018, the District issued its \$2,790,000 Unlimited Tax Refunding Bonds at a net effective interest rate of 3.527898% to refund \$2,700,000 of outstanding Series 2009 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$497,816 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$372,562. As of September 30, 2018, the Series 2009 refunded bonds have all been redeemed and are no longer outstanding.

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$ 14,225,000
Bonds refunded	(2,700,000)
Bonds retired	(445,000)
Bonds issued	2,790,000
Bonds payable, end of year	<u>\$ 13,870,000</u>

As of September 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 485,000	\$ 646,828	\$ 1,131,828
2020	515,000	614,403	1,129,403
2021	540,000	590,364	1,130,364
2022	575,000	566,537	1,141,537
2023	600,000	541,532	1,141,532
2024	630,000	515,354	1,145,354
2025	670,000	487,837	1,157,837
2026	710,000	458,382	1,168,382
2027	745,000	427,103	1,172,103
2028	795,000	392,720	1,187,720
2029	840,000	357,495	1,197,495
2030	885,000	320,138	1,205,138
2031	935,000	280,148	1,215,148
2032	985,000	237,850	1,222,850
2033	1,040,000	190,000	1,230,000
2034	1,110,000	139,268	1,249,268
2035	915,000	85,038	1,000,038
2036	515,000	37,906	552,906
2037	185,000	15,175	200,175
2038	195,000	7,761	202,761
	<u>\$ 13,870,000</u>	<u>\$ 6,911,838</u>	<u>\$ 20,781,838</u>

Note 8 – Property Taxes

On November 6, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general maintenance and operations limited to \$1.50 per \$100 of assessed value. On November 4, 2008, the voters of the District authorized the District’s Board of Directors to levy taxes annually for maintenance of road facilities limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.1175 per \$100 of assessed value, of which \$0.14 was allocated to maintenance and operations, \$0.2825 was allocated to debt service and \$0.695 was allocated to contract tax. The resulting tax levy was \$4,039,361 on the adjusted taxable value of \$361,464,042.

Property taxes receivable, at September 30, 2018, consisted of the following:

Current year taxes receivable	\$ 8,967
Prior years taxes receivable	15,578
	<u>24,545</u>
Penalty and interest receivable	7,730
Property taxes receivable	<u><u>\$ 32,275</u></u>

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the “City”), the District finances a portion of the cost of certain facilities constructed by Fort Bend County MUD No. 169, which Fort Bend County MUD No. 169 conveys to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2018, the total amount reported as transfers to other governments was \$222,028

Note 10 – Utility Agreement

On December 18, 2007, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City of Fulshear (the “City”), for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City, but will reserve a security interest in the System. The Utility Agreement expires on December 18, 2040, which is 30 years from the year after the year the District first issued unlimited tax bonds.

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 10 – Utility Agreement (continued)

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City.

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value. If the City's tax rate is equal to or less than \$0.10 then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28th of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City will vary year to year. During the current year, the District recorded revenues of \$197,607 for rebates from the City.

Note 11 – Master District

On November 17, 2008, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the "Contract") with Fort Bend County Municipal Utility District No. 169 (the "Master District"), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District's service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$323,640 for the District's share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue bonds, or use other lawfully available funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. During the current fiscal year, the District did not pay any park construction charges to the Master District.

Fort Bend County Municipal Utility District No. 171
Notes to Basic Financial Statements
September 30, 2018

Note 11 – Master District (continued)

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2017 tax year, the District’s pro rata share is 29.78%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$2,436,903 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2018, the Master District had \$104,540,000 bonded debt outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,870,000	\$ 3,746,281	\$ 7,616,281
2020	4,015,000	3,610,433	7,625,433
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,659	7,480,659
2024 - 2028	20,985,000	14,002,485	34,987,485
2029 - 2033	24,410,000	10,027,577	34,437,577
2034 - 2038	26,350,000	4,875,097	31,225,097
2039 - 2043	12,340,000	798,841	13,138,841
	<u>\$ 104,540,000</u>	<u>\$ 47,061,902</u>	<u>\$ 151,601,902</u>

Note 12 – Risk Management

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

Note 13 – Subsequent Event – Master District Debt Issuance

On November 27, 2018, the Master District issued its \$5,570,000 Series 2018 Contract Revenue Bonds at a net effective rate of 4.163726%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities and to reimburse the developers for road improvements and certain road related landscaping improvements constructed to serve the Master District service area.

On December 6, 2018, the Master District issued its \$23,000,000 Series 2018A Contract Revenue Bonds at a net effective rate of 4.159942%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities, to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2018 bond anticipation note

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Required Supplementary Information

Fort Bend County Municipal Utility District No. 171
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 495,200	\$ 504,325	\$ 9,125
Investment earnings	2,400	6,828	4,428
Total Revenues	<u>497,600</u>	<u>511,153</u>	<u>13,553</u>
Expenditures			
Operating and administrative			
Professional fees	100,000	78,048	21,952
Contracted services	12,000	11,205	795
Master District fees	323,640	323,640	
Administrative	39,790	20,526	19,264
Total Expenditures	<u>475,430</u>	<u>433,419</u>	<u>42,011</u>
Revenues Over Expenditures	22,170	77,734	55,564
Fund Balance			
Beginning of the year	471,871	471,871	
End of the year	<u>\$ 494,041</u>	<u>\$ 549,605</u>	<u>\$ 55,564</u>

*Fort Bend County Municipal Utility District No. 171
Notes to Required Supplementary Information
September 30, 2018*

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 171
TSI-1. Services and Rates
September 30, 2018

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

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water, wastewater and storm sewer accepted by City of Fulshear</u>
<u>for operation and maintenance.</u> | | | |

2. Retail Service Providers N/A
 (You may omit this information if your district does not provide retail services)

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 171
TSI-1. Services and Rates
September 30, 2018

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

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2018

Professional fees		
Legal		\$ 63,943
Audit		10,600
Engineering		3,505
		<u>78,048</u>
Contracted services		
Bookkeeping		<u>11,205</u>
Master District fees		<u>323,640</u>
Administrative		
Directors fees		9,900
Printing and office supplies		1,445
Insurance		2,992
Other		6,189
		<u>20,526</u>
Total expenditures		<u>\$ 433,419</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-3. Investments
September 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	7953500001	Variable	N/A	\$ 351,725
Debt Service				
TexPool	7953500003	Variable	N/A	897,612
TexPool	7953500004	Variable	N/A	760,896
				1,658,508
Capital Projects				
TexPool	7953500002	Variable	N/A	272,370
				\$ 2,282,603

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-4. Taxes Levied and Receivable
September 30, 2018

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 4,627	\$ 5,944	\$ 16,514	\$ 27,085
2017 Original Tax Levy	506,864	1,022,779	2,516,216	4,045,859
Adjustments	(814)	(1,643)	(4,041)	(6,498)
Adjusted Tax Levy	506,050	1,021,136	2,512,175	4,039,361
Total to be accounted for	510,677	1,027,080	2,528,689	4,066,446
Tax collections:				
Current year	504,927	1,018,871	2,506,597	4,030,395
Prior years	1,962	2,526	7,018	11,506
Total Collections	506,889	1,021,397	2,513,615	4,041,901
Taxes Receivable, End of Year	\$ 3,788	\$ 5,683	\$ 15,074	\$ 24,545
Taxes Receivable, By Years				
2017	\$ 1,123	\$ 2,267	\$ 5,577	\$ 8,967
2016	1,126	1,774	4,743	7,643
2015	1,539	1,642	4,754	7,935
Taxes Receivable, End of Year	\$ 3,788	\$ 5,683	\$ 15,074	\$ 24,545
Property Valuations:	2017	2016	2015	2014
Land	\$ 80,549,958	\$ 77,026,388	\$ 77,066,958	\$ 77,021,604
Improvements	290,313,291	302,738,260	302,969,980	257,650,890
Personal Property	3,558,280	3,882,790	2,528,311	4,479,370
Exemptions	(12,957,487)	(6,244,643)	(19,328,491)	(11,071,756)
Total Property Valuations	\$ 361,464,042	\$ 377,402,795	\$ 363,236,758	\$ 328,080,108
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.1400	\$ 0.165	\$ 0.225	\$ 0.280
Debt service tax rates	0.2825	0.260	0.240	0.240
Contract tax rates	0.6950	0.695	0.695	0.700
Total Tax Rates per \$100 Valuation	\$ 1.1175	\$ 1.120	\$ 1.160	\$ 1.220
Adjusted Tax Levy:	\$ 4,039,361	\$ 4,226,911	\$ 4,213,546	\$ 4,002,577
Percentage of Taxes Collected to Taxes Levied **	99.78%	99.82%	99.81%	100.00%

* Maximum maintenance tax rate approved by voters for water,
wastewater, drainage and recreational facilities:

\$1.50 on November 6, 2007

* Maximum maintenance tax rate approved by voters for road facilities:

\$0.25 on November 4, 2008

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2010--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 140,000	\$ 248,500	\$ 388,500
2020	150,000	242,130	392,130
2021	160,000	235,080	395,080
2022	170,000	227,240	397,240
2023	185,000	218,060	403,060
2024	195,000	208,070	403,070
2025	210,000	197,540	407,540
2026	225,000	186,200	411,200
2027	240,000	174,050	414,050
2028	260,000	159,950	419,950
2029	280,000	144,675	424,675
2030	300,000	128,225	428,225
2031	320,000	110,600	430,600
2032	345,000	91,800	436,800
2033	365,000	71,100	436,100
2034	395,000	49,200	444,200
2035	425,000	25,500	450,500
	<u>\$ 4,365,000</u>	<u>\$ 2,717,920</u>	<u>\$ 7,082,920</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2011--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 115,000	\$ 162,385	\$ 277,385
2020	120,000	156,635	276,635
2021	130,000	151,835	281,835
2022	140,000	146,635	286,635
2023	145,000	141,035	286,035
2024	155,000	135,235	290,235
2025	165,000	129,035	294,035
2026	180,000	122,270	302,270
2027	190,000	114,890	304,890
2028	200,000	106,720	306,720
2029	215,000	98,120	313,120
2030	230,000	88,875	318,875
2031	245,000	78,985	323,985
2032	260,000	68,450	328,450
2033	275,000	56,425	331,425
2034	295,000	43,706	338,706
2035	315,000	30,063	345,063
2036	335,000	15,494	350,494
	<u>\$ 3,710,000</u>	<u>\$ 1,846,793</u>	<u>\$ 5,556,793</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 171
 TSI-5. Long-Term Debt Service Requirements
 Series 2011A--by Years
 September 30, 2018*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 80,000	\$ 69,438	\$ 149,438
2020	80,000	64,638	144,638
2021	80,000	59,837	139,837
2022	80,000	56,637	136,637
2023	75,000	53,437	128,437
2024	75,000	50,437	125,437
2025	75,000	47,437	122,437
2026	75,000	44,437	119,437
2027	75,000	41,438	116,438
2028	75,000	38,438	113,438
2029	75,000	35,062	110,062
2030	75,000	31,688	106,688
2031	75,000	28,313	103,313
2032	75,000	24,938	99,938
2033	75,000	21,375	96,375
2034	75,000	17,812	92,812
2035	75,000	14,250	89,250
2036	75,000	10,687	85,687
2037	75,000	7,125	82,125
2038	75,000	3,561	78,561
	<u>\$ 1,520,000</u>	<u>\$ 720,985</u>	<u>\$ 2,240,985</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 171
 TSI-5. Long-Term Debt Service Requirements
 Series 2012 Park--by Years
 September 30, 2018*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 45,000	\$ 53,188	\$ 98,188
2020	45,000	50,600	95,600
2021	45,000	48,012	93,012
2022	50,000	45,425	95,425
2023	55,000	43,800	98,800
2024	55,000	42,012	97,012
2025	60,000	40,225	100,225
2026	60,000	38,275	98,275
2027	65,000	36,325	101,325
2028	70,000	34,212	104,212
2029	75,000	31,938	106,938
2030	75,000	29,500	104,500
2031	80,000	27,062	107,062
2032	85,000	24,462	109,462
2033	90,000	21,700	111,700
2034	95,000	18,550	113,550
2035	100,000	15,225	115,225
2036	105,000	11,725	116,725
2037	110,000	8,050	118,050
2038	120,000	4,200	124,200
	<u>\$ 1,485,000</u>	<u>\$ 624,486</u>	<u>\$ 2,109,486</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2018R--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 105,000	\$ 113,317	\$ 218,317
2020	120,000	100,400	220,400
2021	125,000	95,600	220,600
2022	135,000	90,600	225,600
2023	140,000	85,200	225,200
2024	150,000	79,600	229,600
2025	160,000	73,600	233,600
2026	170,000	67,200	237,200
2027	175,000	60,400	235,400
2028	190,000	53,400	243,400
2029	195,000	47,700	242,700
2030	205,000	41,850	246,850
2031	215,000	35,188	250,188
2032	220,000	28,200	248,200
2033	235,000	19,400	254,400
2034	250,000	10,000	260,000
	<u>\$ 2,790,000</u>	<u>\$ 1,001,654</u>	<u>\$ 3,791,654</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 171
 TSI-5. Long-Term Debt Service Requirements
 All Bonded Debt Series--by Years
 September 30, 2018*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 485,000	\$ 646,828	\$ 1,131,828
2020	515,000	614,403	1,129,403
2021	540,000	590,364	1,130,364
2022	575,000	566,537	1,141,537
2023	600,000	541,532	1,141,532
2024	630,000	515,354	1,145,354
2025	670,000	487,837	1,157,837
2026	710,000	458,382	1,168,382
2027	745,000	427,103	1,172,103
2028	795,000	392,720	1,187,720
2029	840,000	357,495	1,197,495
2030	885,000	320,138	1,205,138
2031	935,000	280,148	1,215,148
2032	985,000	237,850	1,222,850
2033	1,040,000	190,000	1,230,000
2034	1,110,000	139,268	1,249,268
2035	915,000	85,038	1,000,038
2036	515,000	37,906	552,906
2037	185,000	15,175	200,175
2038	195,000	7,761	202,761
2039			
	<u>\$ 13,870,000</u>	<u>\$ 6,911,838</u>	<u>\$ 20,781,838</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 171
TSI-6. Change in Long-Term Bonded Debt
September 30, 2018

	Bond Issue		
	Series 2009	Series 2010	Series 2011
Interest rate	4.30% - 5.875%	4.00% - 6.00%	4.00% - 5.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/11 to 9/1/34	9/1/12 to 9/1/35	9/1/13 to 9/1/36
Beginning bonds outstanding	\$ 2,785,000	\$ 4,495,000	\$ 3,820,000
Bonds refunded	(2,700,000)		
Bonds issued			
Bonds retired	<u>(85,000)</u>	<u>(130,000)</u>	<u>(110,000)</u>
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 4,365,000</u>	<u>\$ 3,710,000</u>
Interest paid during fiscal year	<u>\$ 156,230</u>	<u>\$ 254,220</u>	<u>\$ 167,885</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>		
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 68,558,000	\$ 37,100,000	\$ 17,150,000
Amount Issued	<u>(14,460,000)</u>	<u>(1,600,000)</u>	<u>(1,600,000)</u>
Remaining To Be Issued	<u>\$ 54,098,000</u>	<u>\$ 35,500,000</u>	<u>\$ 17,150,000</u>

All bonds are secured with tax revenues.

Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash balances as of September 30, 2018: \$ 1,759,548

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,039,092

See accompanying auditors' report.

Bond Issue			
Series 2011A	Series 2012 Park	Series 2018R	Totals
4.00% - 6.00%	3.25% - 5.75%	3.00% - 4.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/16 to 9/1/38	9/1/16 to 9/1/38	9/1/19 to 9/1/34	
\$ 1,600,000	\$ 1,525,000	\$ -	\$ 14,225,000
			(2,700,000)
		2,790,000	2,790,000
(80,000)	(40,000)		(445,000)
<u>\$ 1,520,000</u>	<u>\$ 1,485,000</u>	<u>\$ 2,790,000</u>	<u>\$ 13,870,000</u>
<u>\$ 74,238</u>	<u>\$ 55,488</u>	<u>\$ -</u>	<u>\$ 708,060</u>

Fort Bend County Municipal Utility District No. 171
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 504,325	\$ 624,530	\$ 816,173	\$ 922,048	\$ 758,380
Investment earnings	6,828	1,772	2,994	2,276	2,043
Total Revenues	<u>511,153</u>	<u>626,302</u>	<u>819,167</u>	<u>924,324</u>	<u>760,423</u>
Expenditures					
Operating and administrative					
Professional fees	78,048	149,698	65,587	45,205	47,734
Contracted services	11,205	11,190	11,325	11,520	11,460
Master District fees	323,640	323,640	323,640	323,640	323,640
Administrative	20,526	19,387	23,275	12,729	14,462
Other					
Capital outlay		1,701,588			
Total Expenditures	<u>433,419</u>	<u>2,205,503</u>	<u>423,827</u>	<u>393,094</u>	<u>397,296</u>
Revenues Over/(Under) Expenditures	<u>\$ 77,734</u>	<u>\$ (1,579,201)</u>	<u>\$ 395,340</u>	<u>\$ 531,230</u>	<u>\$ 363,127</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
99%	100%	100%	100%	100%
1%	*	*	*	*
100%	100%	100%	100%	100%
15%	24%	8%	5%	6%
2%	2%	1%	1%	2%
63%	52%	40%	35%	43%
4%	3%	3%	1%	2%
	272%			
84%	353%	52%	42%	53%
16%	(253%)	48%	58%	47%

Fort Bend County Municipal Utility District No. 171
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 3,525,341	\$ 3,606,642	\$ 3,389,602	\$ 3,096,890	\$ 2,788,874
Penalties and interest	21,329	20,730	12,849	29,301	10,652
City of Fulshear tax rebate	197,607	177,871	192,927	205,280	237,408
Miscellaneous			30	10	130
Investment earnings	40,459	5,439	4,079	3,756	4,492
Total Revenues	<u>3,784,736</u>	<u>3,810,682</u>	<u>3,599,487</u>	<u>3,335,237</u>	<u>3,041,556</u>
Expenditures					
Tax collection services	41,175	51,248	45,395	59,050	38,621
Debt service					
Principal	445,000	420,000	395,000	265,000	245,000
Debt issuance costs	130,902				
Debt interest and fees	713,881	732,200	753,038	763,388	772,863
Contractual obligation	<u>2,436,903</u>	<u>2,474,014</u>	<u>2,382,953</u>	<u>2,195,580</u>	<u>1,760,686</u>
Total Expenditures	<u>3,767,861</u>	<u>3,677,462</u>	<u>3,576,386</u>	<u>3,283,018</u>	<u>2,817,170</u>
Revenues Over Expenditures	<u>\$ 16,875</u>	<u>\$ 133,220</u>	<u>\$ 23,101</u>	<u>\$ 52,219</u>	<u>\$ 224,386</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
93%	94%	95%	93%	92%
1%	1%	*	1%	*
5%	5%	5%	6%	8%
		*	*	*
1%	*	*	*	*
100%	100%	100%	100%	100%
1%	1%	1%	2%	1%
12%	11%	11%	8%	8%
3%				
19%	19%	21%	23%	25%
64%	65%	66%	66%	58%
99%	96%	99%	99%	92%
1%	4%	1%	1%	8%

Fort Bend County Municipal Utility District No. 171
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: c/o Allen Boone Humphries Robinson LLP
 3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 22, 2018

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

(Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Jocelyn Ryan	5/16 - 5/20	\$ 2,400	\$ 988	President
Stacey Stone	5/16 - 5/20	2,400	929	Vice President
Richard Collier	5/18 - 5/22	2,250	109	Secretary
Samuel Edwards	5/18 - 5/22	900	162	Assistant Secretary
Sherry Gannon	5/18 - 5/22	1,200	1,043	Assistant Vice President
Valarie Cowden	5/14 - 5/18	150		Former Director
Janelle Williams	5/14 - 5/18	600	160	Former Director
Consultants				
Allen Boone Humphries Robinson LLP	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 66,057		
<i>Bond counsel fees</i>		40,218		
F. Matuska, Inc.	2010	12,361		Bookkeeper
Assessments of the Southwest, Inc.	2007	11,040		Tax Collector
Fort Bend Central Appraisal District	Legislation	23,421		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	4,585		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2007	4,271		Engineer
McGrath & Co, PLLC	2010	10,600		Auditor
Masterson Advisors LLC	2018	29,708		Financial Advisor
FirstSouthwest, a Division of Hilltop Securities	2007			Former Financial Advisor

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

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 172**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 172
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 172
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGee & Co, P.C.
Houston, Texas
January 14, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 172
Management's Discussion and Analysis
September 30, 2018***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 172 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Fort Bend County Municipal Utility District No. 172
 Management's Discussion and Analysis
 September 30, 2018**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2018, was negative \$17,181,637. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	\$ 5,519,711	\$ 4,613,204
Capital assets	4,159,352	4,293,525
Total assets	9,679,063	8,906,729
Current liabilities	953,501	1,676,805
Long-term liabilities	25,907,199	25,257,474
Total liabilities	26,860,700	26,934,279
Net position		
Net investment in capital assets	(930,494)	(885,150)
Restricted	2,372,631	2,184,519
Unrestricted	(18,623,774)	(19,326,919)
Total net position	\$ (17,181,637)	\$ (18,027,550)

Fort Bend County Municipal Utility District No. 172
Management's Discussion and Analysis
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The total net position of the District increased during the current fiscal year by \$845,913. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 6,454,520	\$ 6,346,970
City of Fulshear tax rebates	286,553	251,658
Other	110,616	37,177
Total revenues	<u>6,851,689</u>	<u>6,635,805</u>
Expenses		
Operating and administrative	841,098	886,824
Interest and fees	1,008,924	927,592
Debt issuance costs	230,271	406,319
Contractual obligation	3,665,371	3,412,723
Amortization	134,173	134,173
Total expenses	<u>5,879,837</u>	<u>5,767,631</u>
Change in net position before other item	971,852	868,174
Other item		
Transfers to other governments	<u>(125,939)</u>	<u>(298,604)</u>
Change in net position	845,913	569,570
Net position, beginning of year	(18,027,550)	(18,597,120)
Net position, end of year	<u>\$ (17,181,637)</u>	<u>\$ (18,027,550)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were \$5,482,756, which consists of \$1,829,780 in the General Fund, \$2,436,591 in the Debt Service Fund and \$1,216,385 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 1,840,031</u>	<u>\$ 1,434,728</u>
Total liabilities	\$ 7,837	\$ 47,122
Total deferred inflows	2,414	1,926
Total fund balance	1,829,780	1,385,680
Total liabilities, deferred inflows and fund balance	<u>\$ 1,840,031</u>	<u>\$ 1,434,728</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 1,082,465	\$ 1,205,581
Total expenditures	(638,365)	(795,329)
Revenues over expenditures	<u>\$ 444,100</u>	<u>\$ 410,252</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resource in the General Fund is from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 2,454,290</u>	<u>\$ 2,249,847</u>
Total liabilities	\$ 2,787	\$ 2,651
Total deferred inflows	14,912	10,285
Total fund balance	2,436,591	2,236,911
Total liabilities, deferred inflows and fund balance	<u>\$ 2,454,290</u>	<u>\$ 2,249,847</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 5,750,034	\$ 5,445,991
Total expenditures	(5,550,354)	(4,835,926)
Revenues over expenditures	<u>\$ 199,680</u>	<u>\$ 610,065</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear tax rebates. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contract obligations to Fort Bend County Municipal Utility District No. 169.

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Capital Projects Fund

A comparative summary of the Capital Projects Fund’s financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 1,225,390</u>	<u>\$ 928,629</u>
Total liabilities	\$ 9,005	\$ -
Total fund balance	<u>1,216,385</u>	<u>928,629</u>
Total liabilities and fund balance	<u>\$ 1,225,390</u>	<u>\$ 928,629</u>

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

	2018	2017
Total revenues	\$ 18,166	\$ 5,528
Total expenditures	<u>(1,525,910)</u>	<u>(5,580,674)</u>
Revenues under expenditures	(1,507,744)	(5,575,146)
Other changes in fund balance	1,795,500	5,726,500
Net change in fund balance	<u>\$ 287,756</u>	<u>\$ 151,354</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds in the current year and the sale of its Series 2016 Unlimited Tax Park Bonds and \$870,000 bond anticipation note in the prior year.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$107,130 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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Capital assets held by the District at September 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Capital assets being amortized		
Interest in regional park facilities	\$ 4,427,698	\$ 4,427,698
Less accumulated amortization	(268,346)	(134,173)
Capital assets, net	<u>\$ 4,159,352</u>	<u>\$ 4,293,525</u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. These assets are recorded as transfers to other governments upon completion of construction. For the year ended September 30, 2018, capital assets in the amount of \$125,939 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2018, the District does not have any amounts due to developers for completed projects. As discussed in Note 7, the District has a commitment in the amount of \$3,526,220 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2018</u>	<u>2017</u>
2013	\$ 4,895,000	\$ 5,040,000
2014	7,640,000	7,830,000
2015	7,450,000	7,595,000
2016 Park	4,700,000	4,900,000
2017	2,550,000	
	<u>\$ 24,685,000</u>	<u>\$ 25,365,000</u>

During the year, the District issued \$2,700,000 in unlimited tax bonds. At September 30, 2018, the District had \$147,963,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of said bonds; \$75,740,000 for parks and recreational facilities and refunding of said bonds; and \$31,710,000 for road improvements and refunding of said bonds.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District.

Fort Bend County Municipal Utility District No. 172
Management's Discussion and Analysis
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A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 1,082,465	\$ 912,980
Total expenditures	(638,365)	(738,760)
Revenues over expenditures	<u>444,100</u>	<u>174,220</u>
Beginning fund balance	1,385,680	1,829,780
Ending fund balance	<u><u>\$ 1,829,780</u></u>	<u><u>\$ 2,004,000</u></u>

Property Taxes

The District's property tax base increased approximately \$23,720,000 for the 2018 tax year from \$542,766,957 to \$566,487,125. This increase was primarily due to new construction in the District and increased property values. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.17 per \$100 of assessed value, a debt service tax rate of \$0.295 per \$100 of assessed value, and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.16 per \$100. Tax rates for the 2017 tax year were \$0.195 per \$100 for maintenance and operations, \$0.295 per \$100 for debt service and \$0.695 per \$100 for contract tax.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 172
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 60,999	\$ 12,723	\$ -	\$ 73,722	\$ -	\$ 73,722
Investments	1,775,893	2,410,260	1,225,390	5,411,543		5,411,543
Taxes receivable	2,414	14,912		17,326		17,326
Other receivables		17,120		17,120		17,120
Internal balances	725	(725)				
Capital assets, net					4,159,352	4,159,352
Total Assets	\$ 1,840,031	\$ 2,454,290	\$ 1,225,390	\$ 5,519,711	4,159,352	9,679,063
Liabilities						
Accounts payable	\$ 7,470	\$ -	\$ 9,005	\$ 16,475		16,475
Other payables	367	2,787		3,154		3,154
Accrued interest payable					78,872	78,872
Long-term debt						
Due within one year					855,000	855,000
Due after one year					25,907,199	25,907,199
Total Liabilities	7,837	2,787	9,005	19,629	26,841,071	26,860,700
Deferred Inflows of Resources						
Deferred property taxes	2,414	14,912		17,326	(17,326)	
Fund Balances/Net Position						
Fund Balances						
Restricted		2,436,591	1,216,385	3,652,976	(3,652,976)	
Unassigned	1,829,780			1,829,780	(1,829,780)	
Total Fund Balances	1,829,780	2,436,591	1,216,385	5,482,756	(5,482,756)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,840,031	\$ 2,454,290	\$ 1,225,390	\$ 5,519,711		
Net Position						
Net investment in capital assets					(930,494)	(930,494)
Restricted for debt service					2,372,631	2,372,631
Unrestricted					(18,623,774)	(18,623,774)
Total Net Position					\$ (17,181,637)	\$ (17,181,637)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 172

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,057,826	\$ 5,366,443	\$ -	\$ 6,424,269	\$ 3,806	\$ 6,428,075
Penalties and interest		25,137		25,137	1,308	26,445
City of Fulshear tax rebates		286,553		286,553		286,553
Accrued interest on bonds sold		4,090		4,090	(4,090)	
Miscellaneous		280		280		280
Investment earnings	24,639	67,531	18,166	110,336		110,336
Total Revenues	1,082,465	5,750,034	18,166	6,850,665	1,024	6,851,689
Expenditures/Expenses						
Operating and administrative						
Professional fees	86,293		41,865	128,158		128,158
Contracted services	9,800	70,092		79,892		79,892
Master District fees	526,470			526,470		526,470
Administrative	15,802	2,390		18,192		18,192
Capital outlay			1,159,292	1,159,292	(1,159,292)	
Debt service						
Principal		830,000		830,000	(830,000)	
Interest and fees		982,501	6,096	988,597	20,327	1,008,924
Developer interest			88,386	88,386		88,386
Debt issuance costs			230,271	230,271		230,271
Contractual obligation		3,665,371		3,665,371		3,665,371
Amortization					134,173	134,173
Total Expenditures/Expenses	638,365	5,550,354	1,525,910	7,714,629	(1,834,792)	5,879,837
Revenues Over/(Under) Expenditures/Expenses	444,100	199,680	(1,507,744)	(863,964)	1,835,816	971,852
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			2,700,000	2,700,000	(2,700,000)	
Repayment of bond anticipation note			(870,000)	(870,000)	870,000	
Repayment of operating advances			(34,500)	(34,500)	34,500	
Other Item						
Transfers to other governments					(125,939)	(125,939)
Net Change in Fund Balances Change in Net Position	444,100	199,680	287,756	931,536	(931,536)	845,913
Fund Balance/Net Position						
Beginning of the year	1,385,680	2,236,911	928,629	4,551,220	(22,578,770)	(18,027,550)
End of the year	\$ 1,829,780	\$ 2,436,591	\$ 1,216,385	\$ 5,482,756	\$ (22,664,393)	\$ (17,181,637)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 172 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated August 28, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 30, 2008 and the first bonds were sold on December 18, 2013.

The District’s primary activities include the provision of water, sewer, drainage, recreational and road facilities. As further discussed in Note 11, the District transfers certain facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the "Master District"). The primary sources of revenue for debt service is property taxes and City of Fulshear tax rebates. Expenditures include costs incurred in assessing and collecting property taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities and the Master District regional park facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

The District's interest in regional park facilities is amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

Deferred Inflows and Outflows of Financial Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 5,482,756
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 4,427,698	
Less accumulated amortization	<u>(268,346)</u>	
Change due to capital assets		4,159,352
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(26,762,199)	
Interest payable on bonds	<u>(78,872)</u>	
Change due to long-term debt		(26,841,071)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		17,326
Total net position - governmental activities		<u><u>\$ (17,181,637)</u></u>

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

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

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

Net change in fund balances - total governmental funds	\$	931,536
<p>Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.</p>		
		3,806
<p>Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the <i>Statement of Activities</i>, the cost of capital assets is charged to expense over the estimated useful life of the asset.</p>		
Capital outlays	\$	1,159,292
Amortization expense		<u>(134,173)</u>
		1,025,119
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.</p>		
Issuance of long term debt		(2,700,000)
Principal payments		830,000
Repayment of bond anticipation note		870,000
Interest expense accrual		<u>(23,109)</u>
		(1,023,109)
<p>Amounts paid to the District's developers for operating advances use financial resources at the fund level, but are recorded as a reduction to the liability in the <i>Statement of Net Position</i>.</p>		
		34,500
<p>The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i>, these amounts are reported as transfers to other governments.</p>		
		(125,939)
Change in net position of governmental activities	<u>\$</u>	<u>845,913</u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2018, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,775,893		
	Debt Service	2,410,261		
	Capital Projects	1,225,389		
Total		<u>\$ 5,411,543</u>	AAA	28 days

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2018, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General	Debt Service	\$ 725	Maintenance tax collections not remitted as of year end.

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

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2018, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 4,427,698	\$ -	\$ 4,427,698
Less accumulated amortization	(134,173)	(134,173)	(268,346)
Capital assets, net	<u>\$ 4,427,698</u>	<u>\$ (134,173)</u>	<u>\$ 4,159,352</u>

Amortization expense for the current year was \$134,173.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$870,000. This BAN was repaid on December 20, 2017 with proceeds from the issuance of the District's Series 2017 Unlimited Tax Bonds.

The effect of this transaction on the District's short term obligations are as follows:

Beginning balance	\$ 870,000
Amounts repaid	(870,000)
Ending balance	<u>\$ -</u>

Note 7 – Due to Developers

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

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Due to Developers (continued)

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

Due to developers, beginning of year	\$ 1,067,853
Developer reimbursements	(1,159,292)
Repayment of operating advances	(34,500)
Developer funded construction and adjustments	<u>125,939</u>
Due to developers, end of year	<u><u>\$ -</u></u>

In addition, the District will owe the developers approximately \$3,526,220, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Water, sewer, and drainage facilities to serve:			
Creek Cove at Cross Creek Ranch, Section 14 *	\$ 1,232,896	\$ -	\$ 1,232,896
Creek Cove at Cross Creek Ranch, Section 15	710,873		710,873
Creek Cove at Cross Creek Ranch, Section 16 *	1,092,070		1,092,070
Jade Springs Lane Street Dedications *	360,217		360,217
Fulshear Bend Drive Extension No. 3 *	<u>130,164</u>	<u>83,757</u>	<u>46,407</u>
	<u><u>\$ 3,526,220</u></u>	<u><u>\$ 83,757</u></u>	<u><u>\$ 3,442,463</u></u>

* District's portion

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 27,235,000
Unamortized discounts	<u>(472,801)</u>
	<u><u>\$ 26,762,199</u></u>
Due within one year	<u><u>\$ 855,000</u></u>

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at September 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 4,895,000	\$ 5,305,000	3.00% - 5.00%	September 1, 2014/2037	March 1, September 1	September 1, 2021
2014	7,640,000	8,180,000	2.25% - 4.125%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	7,450,000	7,730,000	2.00% - 4.00%	September 1, 2017/2040	March 1, September 1	September 1, 2023
2016 Park	4,700,000	4,900,000	2.00% - 4.00%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017	2,550,000	2,700,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
	<u>\$ 27,235,000</u>					

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

At September 30, 2018, the District had authorized but unissued bonds in the amount of \$147,963,000 for water, sewer and drainage facilities and refunding of such bonds; \$75,740,000 for park and recreational facilities and refunding of such bonds; and \$31,710,000 for road facilities and refunding of such bonds.

On December 20, 2017, the District issued its \$2,700,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.340294%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed to serve the District plus interest expense at the net effective interest rate of the bonds and to repay a \$870,000 BAN issued in the previous fiscal year.

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

Bonds payable, beginning of year	\$ 25,365,000
Bonds issued	2,700,000
Bonds retired	(830,000)
Bonds payable, end of year	<u>\$ 27,235,000</u>

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Long-Term Debt (continued)

As of September 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 855,000	\$ 979,100	\$ 1,834,100
2020	880,000	959,950	1,839,950
2021	915,000	940,225	1,855,225
2022	890,000	916,549	1,806,549
2023	925,000	891,222	1,816,222
2024	960,000	863,026	1,823,026
2025	1,000,000	833,114	1,833,114
2026	1,035,000	800,839	1,835,839
2027	1,085,000	766,444	1,851,444
2028	1,130,000	728,957	1,858,957
2029	1,175,000	688,832	1,863,832
2030	1,215,000	646,694	1,861,694
2031	1,260,000	601,057	1,861,057
2032	1,310,000	553,263	1,863,263
2033	1,445,000	502,094	1,947,094
2034	1,485,000	445,969	1,930,969
2035	1,525,000	387,544	1,912,544
2036	1,570,000	327,194	1,897,194
2037	1,635,000	263,981	1,898,981
2038	1,625,000	195,694	1,820,694
2039	1,665,000	131,350	1,796,350
2040	1,150,000	64,500	1,214,500
2041	400,000	19,000	419,000
2042	100,000	3,500	103,500
	<u>\$ 27,235,000</u>	<u>\$ 13,510,099</u>	<u>\$ 40,745,099</u>

Note 9 – Property Taxes

On May 8, 2010, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 9 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.185 per \$100 of assessed value, of which \$0.195 was allocated to maintenance and operations, \$0.295 was allocated to debt service, and \$0.695 was allocated to contract tax. The resulting tax levy was \$6,431,788 on the adjusted taxable value of \$542,766,957.

Property taxes receivable, at September 30, 2018, consisted of the following:

Current year taxes receivable	\$ 9,430
Prior years taxes receivable	4,552
	<hr style="width: 100%;"/>
	13,982
Penalty and interest receivable	3,344
Property taxes receivable	<hr style="width: 100%;"/> <u>\$ 17,326</u>

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the “City”), the District transfers certain facilities to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2018, the total amount reported as transfers to other governments was \$125,939.

Note 11 – Utility Agreement

On May 14, 2010, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement expires 30 years from the year after the year the District first issues unlimited tax bonds. The District issued its first series of unlimited tax bonds on December 18, 2013.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City.

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 11 – Utility Agreement (continued)

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value starting with the year after the year the District first issues unlimited tax bonds. The City will continue to pay the tax rebate for 30 years from the year after the year the District first issued unlimited tax bonds. If the City's tax rate is equal to or less than \$0.10 then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28 of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate. Consequently, the amounts subject to rebate by the City will vary year to year. For the fiscal year ended September 30, 2018, the District collected \$286,553 in City tax rebates.

Note 12 – Master District

On May 14, 2010, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the "Contract") with Fort Bend County Municipal Utility District No. 169 (the "Master District"), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District's service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$526,470 for the District's share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. During the 2017 fiscal year, the District paid \$4,427,698 in park construction charges to the Master District.

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 12 – Master District (continued)

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2017 tax year, the District’s pro rata share is 44.86%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$3,665,371 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2018, the Master District has \$104,540,000 contract revenue bonds outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2019	\$ 3,870,000	\$ 3,746,281	\$ 7,616,281
2020	4,015,000	3,610,433	7,625,433
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,659	7,480,659
2024 - 2028	20,985,000	14,002,485	34,987,485
2029 - 2033	24,410,000	10,027,577	34,437,577
2034 - 2038	26,350,000	4,875,097	31,225,097
2039 - 2043	12,340,000	798,840	13,138,840
	<u>\$ 104,540,000</u>	<u>\$ 47,061,902</u>	<u>\$ 151,601,902</u>

The Contract also authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall bill the District an amount calculated by multiplying the monthly fee (as described above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. The Master District has not yet established the operating and maintenance reserve.

Note 13 – Risk Management

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

Note 14 – Subsequent Events – Master District Debt Issuance

On November 27, 2018, the Master District issued its \$5,570,000 Series 2018 Contract Revenue Bonds at a net effective rate of 4.163726%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities and to reimburse the developers for road improvements and certain road related landscaping improvements constructed to serve the Master District service area.

Fort Bend County Municipal Utility District No. 172
Notes to Basic Financial Statements
September 30, 2018

Note 14 – Subsequent Events (continued) – Master District Debt Issuance

On December 6, 2018, the Master District issued its \$23,000,000 Series 2018A Contract Revenue Bonds at a net effective rate of 4.159942%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities, to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2018 bond anticipation note.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 172
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 959,800	\$ 1,039,820	\$ 1,057,826	\$ 18,006
Investment earnings	1,500	1,500	24,639	23,139
Total Revenues	961,300	1,041,320	1,082,465	41,145
Expenditures				
Operating and administrative				
Professional fees	101,000	101,000	86,293	14,707
Contracted services	11,000	11,000	9,800	1,200
Master District fees	559,170	559,170	526,470	32,700
Administrative	33,180	33,180	15,802	17,378
Total Expenditures	704,350	704,350	638,365	65,985
Revenues Over Expenditures	256,950	336,970	444,100	107,130
Fund Balance				
Beginning of the year	1,385,680	1,385,680	1,385,680	
End of the year	\$ 1,642,630	\$ 1,722,650	\$ 1,829,780	\$ 107,130

Fort Bend County Municipal Utility District No. 172
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 172
TSI-1. Services and Rates
September 30, 2018

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

- | | | | |
|--|--|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): | <u>Potable water, wastewater and storm sewer accepted by City of Fulshear for operation and maintenance.</u> | | |

2. Retail Service Providers

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

*Fort Bend County Municipal Utility District No. 172
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2018*

Professional fees		
Legal		\$ 73,094
Audit		10,000
Engineering		3,199
		<u>86,293</u>
Contracted services		
Bookkeeping		<u>9,800</u>
Master District fees		<u>526,470</u>
Administrative		
Directors fees		7,950
Printing and office supplies		1,218
Insurance		3,742
Other		2,892
		<u>15,802</u>
Total expenditures		<u><u>\$ 638,365</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172

TSI-3. Investments

September 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	9747700005	Variable	N/A	\$ 1,775,893
Debt Service				
TexPool	7947700002	Variable	N/A	1,776,742
TexPool	7947700001	Variable	N/A	633,519
				<u>2,410,261</u>
Capital Projects				
TexPool	7947700003	Variable	N/A	97,521
TexPool	7947700004	Variable	N/A	1,127,868
				<u>1,225,389</u>
Total - All Funds				<u><u>\$ 5,411,543</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172
TSI-4. Taxes Levied and Receivable
September 30, 2018

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,926	\$ 2,429	\$ 5,821	\$ 10,176
Adjustments to Prior Year Tax Levy	(767)	(967)	(2,318)	(4,052)
Adjusted Receivable	1,159	1,462	3,503	6,124
2017 Original Tax Levy	1,119,078	1,692,961	3,988,505	6,800,544
Adjustments	(60,681)	(91,800)	(216,275)	(368,756)
Adjusted Tax Levy	1,058,397	1,601,161	3,772,230	6,431,788
Total to be accounted for	1,059,556	1,602,623	3,775,733	6,437,912
Tax collections:				
Current year	1,056,844	1,598,815	3,766,699	6,422,358
Prior years	298	375	899	1,572
Total Collections	1,057,142	1,599,190	3,767,598	6,423,930
Taxes Receivable, End of Year	\$ 2,414	\$ 3,433	\$ 8,135	\$ 13,982
Taxes Receivable, By Years				
2017	\$ 1,553	\$ 2,346	\$ 5,531	\$ 9,430
2016	861	1087	2604	4,552
Taxes Receivable, End of Year	\$ 2,414	\$ 3,433	\$ 8,135	\$ 13,982
	2017	2016	2015	2014
Property Valuations:				
Land	\$ 124,489,792	\$ 114,089,442	\$ 102,665,392	\$ 77,539,476
Improvements	429,225,051	412,277,100	323,311,350	150,725,930
Personal Property	4,479,090	3,403,127	2,390,420	1,321,585
Exemptions	(15,426,976)	(11,739,107)	(18,585,512)	(11,736,537)
Total Property Valuations	\$ 542,766,957	\$ 518,030,562	\$ 409,781,650	\$ 217,850,454
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.195	\$ 0.230	\$ 0.3018	\$ 0.3276
Debt service tax rates	0.295	0.290	0.2850	0.3000
Contract tax rates	0.695	0.695	0.6950	0.6950
Total Tax Rates per \$100 Valuation	\$ 1.185	\$ 1.2150	\$ 1.2818	\$ 1.3226
Adjusted Tax Levy:	\$ 6,431,788	\$ 6,294,071	\$ 5,252,581	\$ 2,881,290
Percentage of Taxes Collected to Taxes Levied ***	99.85%	99.93%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters for water, wastewater, drainage and recreational facilities: \$1.50 on May 8, 2010

** Maximum Maintenance Tax Rate Approved by Voters for road facilities: \$0.25 on May 8, 2010

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 155,000	\$ 217,450	\$ 372,450
2020	160,000	212,800	372,800
2021	170,000	208,000	378,000
2022	180,000	202,560	382,560
2023	190,000	196,440	386,440
2024	200,000	189,600	389,600
2025	210,000	182,000	392,000
2026	220,000	173,600	393,600
2027	235,000	164,800	399,800
2028	245,000	154,813	399,813
2029	260,000	143,788	403,788
2030	275,000	132,088	407,088
2031	290,000	119,025	409,025
2032	305,000	105,250	410,250
2033	320,000	90,000	410,000
2034	340,000	74,000	414,000
2035	360,000	57,000	417,000
2036	380,000	39,000	419,000
2037	400,000	20,000	420,000
	<u>\$ 4,895,000</u>	<u>\$ 2,682,213</u>	<u>\$ 7,577,213</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 200,000	\$ 283,756	\$ 483,756
2020	210,000	279,256	489,256
2021	225,000	274,531	499,531
2022	235,000	268,906	503,906
2023	250,000	261,856	511,856
2024	265,000	254,356	519,356
2025	280,000	246,406	526,406
2026	295,000	237,306	532,306
2027	320,000	226,981	546,981
2028	340,000	215,381	555,381
2029	355,000	202,631	557,631
2030	370,000	189,319	559,319
2031	385,000	174,519	559,519
2032	400,000	159,119	559,119
2033	425,000	143,119	568,119
2034	445,000	126,119	571,119
2035	465,000	108,319	573,319
2036	490,000	89,719	579,719
2037	510,000	69,506	579,506
2038	575,000	48,469	623,469
2039	600,000	24,750	624,750
	<u>\$ 7,640,000</u>	<u>\$ 3,884,325</u>	<u>\$ 11,524,325</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172
 TSI-5. Long-Term Debt Service Requirements
 Series 2015--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 150,000	\$ 254,394	\$ 404,394
2020	160,000	251,394	411,394
2021	170,000	248,194	418,194
2022	175,000	244,583	419,583
2023	185,000	240,426	425,426
2024	195,000	235,570	430,570
2025	210,000	230,208	440,208
2026	220,000	224,433	444,433
2027	230,000	218,163	448,163
2028	245,000	211,263	456,263
2029	260,000	203,913	463,913
2030	270,000	195,788	465,788
2031	285,000	187,013	472,013
2032	305,000	177,394	482,394
2033	400,000	167,100	567,100
2034	400,000	153,600	553,600
2035	400,000	139,600	539,600
2036	400,000	125,600	525,600
2037	425,000	111,600	536,600
2038	750,000	94,600	844,600
2039	765,000	64,600	829,600
2040	850,000	34,000	884,000
	<u>\$ 7,450,000</u>	<u>\$ 4,013,436</u>	<u>\$ 11,463,436</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172
 TSI-5. Long-Term Debt Service Requirements
 Series 2016 Park--by Years
 September 30, 2018*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 200,000	\$ 149,000	\$ 349,000
2020	200,000	145,000	345,000
2021	200,000	141,000	341,000
2022	200,000	135,000	335,000
2023	200,000	129,000	329,000
2024	200,000	123,000	323,000
2025	200,000	117,000	317,000
2026	200,000	111,000	311,000
2027	200,000	105,000	305,000
2028	200,000	99,000	299,000
2029	200,000	93,000	293,000
2030	200,000	87,000	287,000
2031	200,000	81,000	281,000
2032	200,000	75,000	275,000
2033	200,000	68,500	268,500
2034	200,000	62,000	262,000
2035	200,000	55,500	255,500
2036	200,000	49,000	249,000
2037	200,000	42,250	242,250
2038	200,000	35,250	235,250
2039	200,000	28,000	228,000
2040	200,000	20,000	220,000
2041	300,000	12,000	312,000
	<u>\$ 4,700,000</u>	<u>\$ 1,962,500</u>	<u>\$ 6,662,500</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 150,000	\$ 74,500	\$ 224,500
2020	150,000	71,500	221,500
2021	150,000	68,500	218,500
2022	100,000	65,500	165,500
2023	100,000	63,500	163,500
2024	100,000	60,500	160,500
2025	100,000	57,500	157,500
2026	100,000	54,500	154,500
2027	100,000	51,500	151,500
2028	100,000	48,500	148,500
2029	100,000	45,500	145,500
2030	100,000	42,500	142,500
2031	100,000	39,500	139,500
2032	100,000	36,500	136,500
2033	100,000	33,375	133,375
2034	100,000	30,250	130,250
2035	100,000	27,125	127,125
2036	100,000	23,875	123,875
2037	100,000	20,625	120,625
2038	100,000	17,375	117,375
2039	100,000	14,000	114,000
2040	100,000	10,500	110,500
2041	100,000	7,000	107,000
2042	100,000	3,500	103,500
	<u>\$ 2,550,000</u>	<u>\$ 967,625</u>	<u>\$ 3,517,625</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2018

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2019	\$ 855,000	\$ 979,100	\$ 1,834,100
2020	880,000	959,950	1,839,950
2021	915,000	940,225	1,855,225
2022	890,000	916,549	1,806,549
2023	925,000	891,222	1,816,222
2024	960,000	863,026	1,823,026
2025	1,000,000	833,114	1,833,114
2026	1,035,000	800,839	1,835,839
2027	1,085,000	766,444	1,851,444
2028	1,130,000	728,957	1,858,957
2029	1,175,000	688,832	1,863,832
2030	1,215,000	646,694	1,861,694
2031	1,260,000	601,057	1,861,057
2032	1,310,000	553,263	1,863,263
2033	1,445,000	502,094	1,947,094
2034	1,485,000	445,969	1,930,969
2035	1,525,000	387,544	1,912,544
2036	1,570,000	327,194	1,897,194
2037	1,635,000	263,981	1,898,981
2038	1,625,000	195,694	1,820,694
2039	1,665,000	131,350	1,796,350
2040	1,150,000	64,500	1,214,500
2041	400,000	19,000	419,000
2042	100,000	3,500	103,500
	<u>\$ 27,235,000</u>	<u>\$ 13,510,099</u>	<u>\$ 40,745,099</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 172
TSI-6. Change in Long-Term Bonded Debt
September 30, 2018

	Bond Issue			
	Series 2013	Series 2014	Series 2015	Series 2016 Park
Interest rate	3.00% - 5.00%	2.25% - 4.125%	2.00% - 4.00%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/14 - 9/1/37	9/1/16 - 9/1/39	9/1/17 - 9/1/40	9/1/18 - 9/1/41
Beginning bonds outstanding	\$ 5,040,000	\$ 7,830,000	\$ 7,595,000	\$ 4,900,000
Bonds issued				
Bonds retired	<u>(145,000)</u>	<u>(190,000)</u>	<u>(145,000)</u>	<u>(200,000)</u>
Ending bonds outstanding	<u>\$ 4,895,000</u>	<u>\$ 7,640,000</u>	<u>\$ 7,450,000</u>	<u>\$ 4,700,000</u>
Interest paid during fiscal year	<u>\$ 221,800</u>	<u>\$ 288,031</u>	<u>\$ 257,295</u>	<u>\$ 153,000</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A. Dallas, Texas</u>			

Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds
	Amount Authorized by Voters	\$ 171,878,000	\$ 80,640,000
Amount Issued	<u>(23,915,000)</u>	<u>(4,900,000)</u>	
Remaining To Be Issued	<u>\$ 147,963,000</u>	<u>\$ 75,740,000</u>	<u>\$ 31,710,000</u>

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

Debt Service Fund cash and investments balances as of September 30, 2018:	<u>\$ 2,422,983</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,697,712</u>

See accompanying auditors' report.

<u>Bond Issue</u> <u>Series 2017</u>	<u>Totals</u>
2.00% - 3.50%	
3/1; 9/1	
9/1/18 -	
9/1/42	
\$ -	\$ 25,365,000
2,700,000	2,700,000
<u>(150,000)</u>	<u>(830,000)</u>
<u>\$ 2,550,000</u>	<u>\$ 27,235,000</u>
<u>\$ 58,125</u>	<u>\$ 978,251</u>

Fort Bend County Municipal Utility District No. 172
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 1,057,826	\$ 1,199,470	\$ 1,231,366	\$ 729,103	\$ 459,142
Interest	24,639	6,111	795	309	46
Total Revenues	1,082,465	1,205,581	1,232,161	729,412	459,188
Expenditures					
Operating and administrative					
Professional fees	86,293	158,328	102,013	52,344	58,377
Contracted services	9,800	9,680	9,620	8,645	11,082
Repairs and maintenance		40,000			
Master District fees	526,470	568,170	457,200	443,700	406,080
Administrative	15,802	19,151	17,547	15,352	14,110
Other					
Total Expenditures	638,365	795,329	586,380	520,041	489,649
Revenues Over/(Under) Expenditures	\$ 444,100	\$ 410,252	\$ 645,781	\$ 209,371	\$ (30,461)

* Percent is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
98%	99%	100%	100%	100%
2%	1%	*	*	*
100%	100%	100%	100%	100%
8%	13%	8%	7%	13%
1%	1%	1%	1%	2%
	3%			
49%	47%	37%	61%	88%
1%	2%	1%	2%	3%
59%	66%	47%	71%	106%
41%	34%	53%	29%	(6%)

Fort Bend County Municipal Utility District No. 172

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 5,366,443	\$ 5,112,897	\$ 3,998,379	\$ 2,176,352	\$ 519,882
Penalties and interest	25,137	50,373	24,083	13,238	3,754
City of Fulshear tax rebates	286,553	251,658	221,102	147,898	57,073
Accrued interest on bonds sold	4,090	5,525	10,111	6,576	10,849
Miscellaneous	280	120	90	140	270
Investment earnings	67,531	25,418	4,016	2,060	899
Total Revenues	<u>5,750,034</u>	<u>5,445,991</u>	<u>4,257,781</u>	<u>2,346,264</u>	<u>592,727</u>
Expenditures					
Tax collection services	72,482	77,029	53,424	39,084	12,680
Debt service					
Principal	830,000	450,000	300,000		
Interest and fees	982,501	896,174	724,155	452,180	173,313
Contractual obligation	<u>3,665,371</u>	<u>3,412,723</u>	<u>2,677,799</u>	<u>1,461,329</u>	<u>458,085</u>
Total Expenditures	<u>5,550,354</u>	<u>4,835,926</u>	<u>3,755,378</u>	<u>1,952,593</u>	<u>644,078</u>
Revenues Over/(Under) Expenditures	<u>\$ 199,680</u>	<u>\$ 610,065</u>	<u>\$ 502,403</u>	<u>\$ 393,671</u>	<u>\$ (51,351)</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
93%	94%	94%	93%	87%
*	1%	1%	1%	1%
6%	5%	5%	6%	10%
*	*	*	*	2%
*	*	*	*	*
1%	*	*	*	*
100%	100%	100%	100%	100%
1%	1%	1%	2%	2%
14%	8%	7%		
17%	16%	17%	19%	29%
64%	63%	63%	62%	77%
96%	88%	88%	83%	108%
4%	12%	12%	17%	(8%)

Fort Bend County Municipal Utility District No. 172
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: c/o Allen Boone Humphries Robinson LLP
 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
 District Business Telephone Number: (713) 860-6400
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): May 14, 2018
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
William Conlan	05/18 - 05/22	\$ 2,700	\$ 428	President
Kenneth Martinec	05/16 - 05/20	2,100	446	Vice President
William Martin	06/17 - 05/20	1,650	419	Secretary
Jennifer Quade	05/18 - 05/22	1,350	270	Assistant Secretary
Rebecca Mulvaney	05/14 - 05/18	150	71	Former Director
Consultants				
Allen Boone Humphries Robinson LLP	2008			Attorney
<i>General legal fees</i>		\$ 83,008		
<i>Bond counsel</i>		81,194		
F. Matuska, Inc.	2010	11,283		Bookkeeper
Assessments of the Southwest, Inc.	2010	23,392		Tax Collector
Fort Bend Central Appraisal District	Legislation	44,610		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	3,891		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2010	9,791		Engineer
McGrath & Co., PLLC	2013	15,500		Auditor
Masterson Advisors, LLC	2018			Financial Advisor
Hilltop Securities, Inc.	2010	59,054		Former Financial Advisor

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

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 173**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2018

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McGRATH & CO., PLLC

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

Independent Auditors' Report

Board of Directors
Fort Bend County Municipal Utility District No. 173
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 173, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 173
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 173, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

WCG & Co, LLC

Houston, Texas
January 9, 2019

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2018***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 173 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2018

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2018, was negative \$17,724,372. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	<u>\$ 2,152,114</u>	<u>\$ 1,178,793</u>
Current liabilities	3,758,391	3,953,145
Long-term liabilities	<u>16,118,095</u>	<u>10,428,586</u>
Total liabilities	<u>19,876,486</u>	<u>14,381,731</u>
Net position		
Restricted	601,014	237,644
Unrestricted	<u>(18,325,386)</u>	<u>(13,440,582)</u>
Total net position	<u>\$ (17,724,372)</u>	<u>\$ (13,202,938)</u>

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2018

The total net position of the District decreased during the current fiscal year by \$4,521,434. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Property taxes, penalties and interest	\$ 2,316,549	\$ 1,151,439
City of Fulshear tax rebates	96,370	40,858
Other	196,277	117,134
Total revenues	<u>2,609,196</u>	<u>1,309,431</u>
Expenses		
Operating and administrative	680,308	751,834
Contractual obligation	1,178,716	560,464
Debt interest and fees	380,113	153,495
Developer interest	435,626	319,939
Debt issuance costs	619,147	467,675
Total expenses	<u>3,293,910</u>	<u>2,253,407</u>
Change in net position before other item	(684,714)	(943,976)
Other item		
Transfers to other governments	<u>(3,836,720)</u>	<u>(4,752,251)</u>
Change in net position	(4,521,434)	(5,696,227)
Net position, beginning of year	(13,202,938)	(7,506,711)
Net position, end of year	<u>\$ (17,724,372)</u>	<u>\$ (13,202,938)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2018, were \$2,141,138, which consists of \$108,350 in the General Fund, \$630,744 in the Debt Service Fund, and \$1,402,044 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 115,357</u>	<u>\$ 21,386</u>
Total liabilities	\$ 6,136	\$ 77,554
Total deferred inflows	871	1,617
Total fund balance	<u>108,350</u>	<u>(57,785)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 115,357</u>	<u>\$ 21,386</u>

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

	2018	2017
Total revenues	\$ 640,729	\$ 553,553
Total expenditures	(571,594)	(648,978)
Revenues over/(under) expenditures	69,135	(95,425)
Other changes in fund balance	97,000	29,000
Net change in fund balance	<u>\$ 166,135</u>	<u>\$ (66,425)</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- The District's developer advances funds to the District as needed to pay operating costs.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	<u>\$ 633,422</u>	<u>\$ 250,805</u>
Total liabilities	\$ 503	\$ -
Total deferred inflows	2,175	2,401
Total fund balance	<u>630,744</u>	<u>248,404</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 633,422</u>	<u>\$ 250,805</u>

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

	2018	2017
Total revenues	\$ 1,797,591	\$ 645,578
Total expenditures	(1,550,689)	(699,331)
Revenues over/(under) expenditures	246,902	(53,753)
Other changes in fund balance	135,438	245,813
Net change in fund balance	<u>\$ 382,340</u>	<u>\$ 192,060</u>

**Fort Bend County Municipal Utility District No. 173
 Management’s Discussion and Analysis
 September 30, 2018**

The District’s financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues, City of Fulshear tax rebates and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contractual obligations to Fort Bend County Municipal Utility District No. 169.

Capital Projects Fund

A comparative summary of the Capital Projects Fund’s financial position as of September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Total assets	<u>\$ 1,403,335</u>	<u>\$ 906,602</u>
Total liabilities	\$ 1,291	\$ 2,212
Total fund balance	<u>1,402,044</u>	<u>904,390</u>
Total liabilities and fund balance	<u>\$ 1,403,335</u>	<u>\$ 906,602</u>

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

	<u>2018</u>	<u>2017</u>
Total revenues	\$ 184,234	\$ 115,812
Total expenditures	<u>(5,933,942)</u>	<u>(7,294,409)</u>
Revenues under expenditures	(5,749,708)	(7,178,597)
Other changes in fund balance	<u>6,247,362</u>	<u>8,082,987</u>
Net change in fund balance	<u>\$ 497,654</u>	<u>\$ 904,390</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2017 Unlimited Tax Bonds and Series 2018 Bond Anticipation Note in the current year and issuance of its Series 2016 Unlimited Tax Bonds and Series 2017 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$66,645 greater than budgeted. The *Budgetary*

**Fort Bend County Municipal Utility District No. 173
 Management’s Discussion and Analysis
 September 30, 2018**

Comparison Schedule on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

The District and the City of Fulshear (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. For the year ended September 30, 2018, capital assets in the amount of \$3,836,720 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2018, the District owes \$4,798,095 to developers for completed projects and operating advances. The District intends to reimburse the developers from proceeds of future bond issues.

At September 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2016	\$ 4,700,000	\$ 4,800,000
2017	7,000,000	
	<u>\$ 11,700,000</u>	<u>\$ 4,800,000</u>

During the year, the District issued \$7,000,000 in unlimited tax bonds. At September 30, 2018, the District had \$91,576,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding purposes; \$45,920,000 for parks and recreational facilities and refunding purposes; and \$24,430,000 for road improvements and refunding purposes.

During the year, the District issued a \$3,320,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 5 for additional information.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District.

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2018

A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2018 Actual</u>	<u>2019 Budget</u>
Total revenues	\$ 640,729	\$ 658,090
Total expenditures	(571,594)	(651,460)
Revenues over expenditures	69,135	6,630
Other changes in fund balance	97,000	
Net change in fund balance	166,135	6,630
Beginning fund balance	(57,785)	108,350
Ending fund balance	<u>\$ 108,350</u>	<u>\$ 114,980</u>

Property Taxes

The District's property tax base increased approximately \$85,496,000 for the 2018 tax year from \$171,497,352 to \$256,992,984. This increase was primarily due to new construction in the District and increased land values. For the 2018 tax year, the District has levied a maintenance tax rate of \$0.30338 per \$100 of assessed value, a contract tax rate of \$0.705 per \$100 of assessed value and a debt service tax rate of \$0.330 per \$100 of assessed value, for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2017 tax year were \$0.3722 per \$100 for maintenance and operations, \$0.695 per \$100 for contract tax and \$0.275 per \$100 for debt service for a combined total of \$1.3422 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 173
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 7,850	\$ 179,022	\$ 237,372	\$ 424,244	\$ -	\$ 424,244
Investments	100,064	443,873	1,165,963	1,709,900		1,709,900
Taxes receivable	871	2,175		3,046		3,046
Internal balances	6,572	(6,572)				
Other receivables		14,924		14,924		14,924
Total Assets	\$ 115,357	\$ 633,422	\$ 1,403,335	\$ 2,152,114		2,152,114
Liabilities						
Accounts payable	\$ 5,879	\$ -	\$ 1,291	\$ 7,170		7,170
Other payables	257	503		760		760
Accrued interest payable					50,461	50,461
Bond anticipation note payable					3,320,000	3,320,000
Due to developers					4,798,095	4,798,095
Long-term debt						
Due within one year					380,000	380,000
Due after one year					11,320,000	11,320,000
Total Liabilities	6,136	503	1,291	7,930	19,868,556	19,876,486
Deferred Inflows of Resources						
Deferred property taxes	871	2,175		3,046	(3,046)	
Fund Balances/Net Position						
Fund Balances						
Restricted		630,744	1,402,044	2,032,788	(2,032,788)	
Unassigned	108,350			108,350	(108,350)	
Total Fund Balances	108,350	630,744	1,402,044	2,141,138	(2,141,138)	
Total Liabilities, Deferred Inflows						
Total Liabilities and Fund Balances	\$ 115,357	\$ 633,422	\$ 1,403,335	\$ 2,152,114		
Net Position						
Restricted for debt service					601,014	601,014
Unrestricted					(18,325,386)	(18,325,386)
Total Net Position					\$ (17,724,372)	\$ (17,724,372)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 173

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2018**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 639,060	\$ 1,663,682	\$ -	\$ 2,302,742	\$ (904)	\$ 2,301,838
Penalties and interest		14,779		14,779	(68)	14,711
City of Fulshear tax rebates		96,370		96,370		96,370
Accrued interest on bonds sold		12,386		12,386	(12,386)	
Capacity charges			171,988	171,988		171,988
Miscellaneous		282		282		282
Investment earnings	1,669	10,092	12,246	24,007		24,007
Total Revenues	640,729	1,797,591	184,234	2,622,554	(13,358)	2,609,196
Expenditures/Expenses						
Operating and administrative						
Professional fees	70,767	738	78,181	149,686		149,686
Contracted services	9,680	29,215		38,895		38,895
Administrative	16,007	379	201	16,587		16,587
Master District fees	475,140			475,140		475,140
Capital outlay			4,775,011	4,775,011	(4,775,011)	
Debt service						
Contractual obligation		1,178,716		1,178,716		1,178,716
Debt interest and fees		341,641	25,776	367,417	12,696	380,113
Developer interest			435,626	435,626		435,626
Debt issuance costs			619,147	619,147		619,147
Total Expenditures/Expenses	571,594	1,550,689	5,933,942	8,056,225	(4,762,315)	3,293,910
Revenues Under Expenditures/Expenses	69,135	246,902	(5,749,708)	(5,433,671)	4,748,957	(684,714)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		235,438	6,764,562	7,000,000	(7,000,000)	
Proceeds from bond anticipation note			3,320,000	3,320,000	(3,320,000)	
Bond anticipation note retirement			(3,748,000)	(3,748,000)	3,748,000	
Debt service - principal		(100,000)		(100,000)	100,000	
Developer advances	97,000			97,000	(97,000)	
Repayment of operating advances			(89,200)	(89,200)	89,200	
Other Item						
Transfers to other governments					(3,836,720)	(3,836,720)
Net Change in Fund Balances	166,135	382,340	497,654	1,046,129	(1,046,129)	
Change in Net Position					(4,521,434)	(4,521,434)
Fund Balance/Net Position						
Beginning of the year	(57,785)	248,404	904,390	1,095,009	(14,297,947)	(13,202,938)
End of the year	\$ 108,350	\$ 630,744	\$ 1,402,044	\$ 2,141,138	\$ (19,865,510)	\$ (17,724,372)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 173 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 28, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 30, 2008 and the first bonds were sold on November 22, 2016.

The District’s primary activities include construction of water, sewer, drainage, recreational, and road facilities. As further discussed in Note 10, the District transfers certain of these facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the "Master District"). The primary source of revenue for debt service is property taxes and City of Fulshear tax rebates. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	2,141,138
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	\$	2,444	
Penalty and interest receivable		602	
Change due to property taxes			3,046

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(11,700,000)	
Bond anticipation note payable	(3,320,000)	
Interest payable on bonds	(50,461)	
Change due to long-term debt		(15,070,461)

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(4,798,095)
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Total net position - governmental activities	<u>\$</u>	<u>(17,724,372)</u>
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Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

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

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

Net change in fund balances - total governmental funds \$ 1,046,129

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. (972)

Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developers in the *Statement of Net Position*. 4,775,011

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

Issuance of long term debt	\$ (7,000,000)	
Issuance of bond anticipation note	(3,320,000)	
Principal payments	100,000	
Repayment of bond anticipation note	3,748,000	
Interest expense accrual	<u>(25,082)</u>	
		(6,497,082)

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (97,000)

Amounts repaid to the District's developer for operating advances do not use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 89,200

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (3,836,720)

Change in net position of governmental activities \$ (4,521,434)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2018, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 100,064	AAAm	28 days
	Debt Service	443,873		
	Capital Projects	1,165,963		
		<u>\$ 1,709,900</u>		

*Fort Bend County Municipal Utility District No. 173
 Notes to Basic Financial Statements
 September 30, 2018*

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2018, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 6,572	Maintenance tax collections not remitted as of year end

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

Note 5 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$3,748,000. This BAN was repaid on December 20, 2017 with proceeds from the issuance of the District’s Series 2017 Unlimited Tax Bonds.

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 5 – Bond Anticipation Note (continued)

On June 20, 2018, the District issued a \$3,320,000 BAN with an interest rate of 2.00%, which is due on June 19, 2019. This BAN was repaid subsequent to year end. See Note 14 for additional information.

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

Beginning balance	\$ 3,748,000
Amounts borrowed	3,320,000
Amounts repaid	<u>(3,748,000)</u>
Ending balance	<u><u>\$ 3,320,000</u></u>

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	\$ 5,728,586
Developer reimbursements	(4,775,011)
Repayment of operating advances	(89,200)
Developer funded construction and adjustments	3,836,720
Operating advances from developer	97,000
Due to developers, end of year	<u><u>\$ 4,798,095</u></u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 11,700,000</u></u>
Due within one year	<u><u>\$ 380,000</u></u>

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at September 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2016	\$ 4,700,000	\$ 4,800,000	2.00% - 3.875%	September 1, 2018/2042	March 1, September 1	September 1, 2024
2017	7,000,000	7,000,000	2.00% - 4.50%	September 1, 2019/2043	March 1, September 1	September 1, 2025
	<u>\$ 11,700,000</u>					

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

At September 30, 2018, the District had authorized but unissued bonds in the amount of \$91,576,000 for water, sewer and drainage facilities and refunding purposes; \$45,920,000 for park and recreational facilities and refunding purposes; and \$24,430,000 for road improvements and refunding purposes.

On December 20, 2017, the District issued its \$7,000,000 Series 2017 Unlimited Tax Bonds at a net effective interest rate of 3.471885%. Proceeds of the bonds were used to (1) reimburse developers for operating advances and the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$3,748,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ 4,800,000
Bonds issued	7,000,000
Bonds retired	(100,000)
Bonds payable, end of year	<u>\$ 11,700,000</u>

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 7 – Long-Term Debt (continued)

As of September 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	\$ 380,000	\$ 396,063	\$ 776,063
2020	385,000	382,963	767,963
2021	390,000	368,388	758,388
2022	400,000	352,563	752,563
2023	405,000	336,438	741,438
2024	410,000	320,163	730,163
2025	415,000	303,738	718,738
2026	425,000	294,038	719,038
2027	430,000	283,694	713,694
2028	440,000	272,513	712,513
2029	445,000	260,688	705,688
2030	455,000	247,813	702,813
2031	465,000	233,713	698,713
2032	475,000	219,050	694,050
2033	485,000	203,800	688,800
2034	495,000	188,200	683,200
2035	505,000	211,631	716,631
2036	515,000	154,701	669,701
2037	530,000	136,763	666,763
2038	540,000	118,263	658,263
2039	555,000	99,044	654,044
2040	570,000	78,913	648,913
2041	585,000	57,856	642,856
2042	600,000	36,219	636,219
2043	400,000	14,000	414,000
	<u>\$ 11,700,000</u>	<u>\$ 5,571,215</u>	<u>\$ 17,271,215</u>

Note 8 – Property Taxes

On May 8, 2010, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of \$1.3422 per \$100 of assessed value, of which \$0.3722 was allocated to maintenance and operations, \$0.695 was allocated to contractual obligations and \$0.275 was allocated to debt service. The resulting tax levy was \$2,301,837 on the adjusted taxable value of \$171,497,352.

Property taxes receivable, at September 30, 2018, consisted of the following:

Current year taxes receivable	\$	1,503
Prior years taxes receivable		941
		2,444
Penalty and interest receivable		602
Property taxes receivable	\$	3,046

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the “City”), the District transfers certain facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2018, the total amount reported as transfers to other governments was \$3,836,720.

Note 10 – Utility Agreement

On May 14, 2010, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City of Fulshear (the “City”), for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City, but will reserve a security interest in the System. The Utility Agreement expires May 14, 2047, which is 30 years from the year after the year the District first issued unlimited tax bonds.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City.

Note 10 – Utility Agreement (continued)

The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City. Pursuant to the Utility Agreement, the City has agreed to rebate to the District all of the City's ad valorem tax revenue from the property in the District in excess of \$0.10 per \$100 of assessed value starting with the year after the year the District first issues unlimited tax bonds. The City will continue to pay the tax rebate for 30 years from the year after the year the District first issued unlimited tax bonds. If the City's tax rate is equal to or less than \$0.10 then no tax rebate is due. The City will pay the rebate portion of the taxes actually collected to the District on February 28 of the year following the year in which the taxes are levied and quarterly thereafter until the tax rebate has been paid in full. The amount of rebate payment will vary with changes in the City's tax rate and the District's appraised valuation and growth rate; consequently, the amounts subject to rebate by the City will vary year to year. During the current fiscal year, the District received \$96,370 in rebates from the City.

Note 11 – Master District

On May 14, 2010, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the "Contract") with Fort Bend County Municipal Utility District No. 169 (the "Master District"), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District's service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the District. During the current year, the District recorded \$475,140 for the District's share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 11 – Master District (continued)

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2017 tax year, the District’s pro rata share is 14.45%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$1,178,716 to the Master District for its pro rata share of debt service requirements.

As of September 30, 2018, the Master District has \$104,540,000 bonded debt outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2019	\$ 3,870,000	\$ 3,746,281	\$ 7,616,281
2020	4,015,000	3,610,433	7,625,433
2021	4,100,000	3,471,928	7,571,928
2022	4,185,000	3,333,602	7,518,602
2023	4,285,000	3,195,659	7,480,659
2024 - 2028	20,985,000	14,002,485	34,987,485
2029 - 2033	24,410,000	10,027,577	34,437,577
2034 - 2038	26,350,000	4,875,097	31,225,097
2039 - 2043	12,340,000	798,841	13,138,841
	\$ 104,540,000	\$ 47,061,902	\$ 151,601,902

The Contract also authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall bill the District an amount calculated by multiplying the monthly fee (as described above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. The Master District has not yet established the operating and maintenance reserve.

Note 12 – Risk Management

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

Note 13 – Concentration of Risk

Approximately 24% of the taxable property within the District is owned by the top ten taxpayers. Since property taxes are the primary source of revenue for both the General Fund and the Debt Service Fund, the ability of these taxpayers to continue to pay their property taxes is an important factor in the District’s ability to meet its future obligations.

Fort Bend County Municipal Utility District No. 173
Notes to Basic Financial Statements
September 30, 2018

Note 14 – Subsequent Events

Issuance of Unlimited Tax Bonds

On December 18, 2018, the District issued its \$5,000,000 Series 2018 Unlimited Tax Bonds at a net effective rate of 4.381222%. Proceeds from the bonds were used to (1) reimburse developers for operating advances and the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and (2) to repay a \$3,320,000 BAN issued in the current fiscal year.

Master District Debt Issuance

On November 27, 2018, the Master District issued its \$5,570,000 Series 2018 Contract Revenue Bonds at a net effective rate of 4.163726%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities and to reimburse the developers for road improvements and certain road related landscaping improvements constructed to serve the Master District service area.

On December 6, 2018, the Master District issued its \$23,000,000 Series 2018A Contract Revenue Bonds at a net effective rate of 4.159942%. Proceeds from the bonds were used for the acquisition of land for certain Master District facilities, to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2018 bond anticipation note.

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Required Supplementary Information

Fort Bend County Municipal Utility District No. 173
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 550,500	\$ 633,810	\$ 639,060	\$ 5,250
Investment earnings			1,669	1,669
Total Revenues	<u>550,500</u>	<u>633,810</u>	<u>640,729</u>	<u>6,919</u>
Expenditures				
Operating and administrative				
Professional fees	105,500	105,500	70,767	34,733
Contracted services	10,400	10,400	9,680	720
Administrative	23,900	23,900	16,007	7,893
Master District fees	491,520	491,520	475,140	16,380
Total Expenditures	<u>631,320</u>	<u>631,320</u>	<u>571,594</u>	<u>59,726</u>
Revenues Over/(Under) Expenditures	(80,820)	2,490	69,135	66,645
Other Financing Sources				
Developer advances	80,820	97,000	97,000	
Net Change in Fund Balance		99,490	166,135	66,645
Fund Balance				
Beginning of the year	(57,785)	(57,785)	(57,785)	
End of the year	<u>\$ (57,785)</u>	<u>\$ 41,705</u>	<u>\$ 108,350</u>	<u>\$ 66,645</u>

Fort Bend County Municipal Utility District No. 173
Notes to Required Supplementary Information
September 30, 2018

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 173
TSI-1. Services and Rates
September 30, 2018

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

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by City of Fulshear</u>
<u>for operation and maintenance.</u> | | | |

2. Retail Service Providers

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

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 173
TSI-1. Services and Rates
September 30, 2018

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

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u> N/A </u>	<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

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

Is the District located entirely within one county? Yes No

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

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

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

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 173
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2018*

Professional fees		
Legal	\$	58,716
Engineering		4,051
Audit		8,000
		<u>70,767</u>
Contracted services		
Bookkeeping		9,680
Administrative		
Directors fees		7,800
Printing and office supplies		1,163
Insurance		3,742
Other		3,302
		<u>16,007</u>
Master District fees		<u>475,140</u>
Total expenditures	\$	<u><u>571,594</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-3. Investments
September 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
General				
TexPool	7956700001	Variable	N/A	<u>\$ 100,064</u>
Debt Service				
TexPool	7956700004	Variable	N/A	429,620
TexPool	7956700003	Variable	N/A	<u>14,253</u>
				<u>443,873</u>
Capital Projects				
TexPool	7956700002	Variable	N/A	<u>1,165,963</u>
Total - All Funds				<u><u>\$ 1,709,900</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-4. Taxes Levied and Receivable
September 30, 2018

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 1,617	\$ -	\$ 1,731	\$ 3,348	
2017 Original Tax Levy	630,999	466,214	1,178,250	2,275,463	
Adjustments	7,313	5,404	13,657	26,374	
Adjusted Tax Levy	638,312	471,618	1,191,907	2,301,837	
Total to be accounted for	639,929	471,618	1,193,638	2,305,185	
Tax collections					
Current year	637,896	471,310	1,191,128	2,300,334	
Prior years	1,162		1,245	2,407	
Total Collections	639,058	471,310	1,192,373	2,302,741	
Taxes Receivable, End of Year	\$ 871	\$ 308	\$ 1,265	\$ 2,444	
Taxes Receivable, By Years					
2017	\$ 417	\$ 308	\$ 778	\$ 1,503	
2016	454		487	941	
Taxes Receivable, End of Year	\$ 871	\$ 308	\$ 1,265	\$ 2,444	
	2017	2016	2015	2014	2013
Property Valuations:					
Land	\$ 139,690,520	\$ 43,510,480	\$ 34,406,680	\$ 30,722,050	\$ 20,716,970
Improvements	93,752,445	59,687,350	45,195,010	20,350,600	1,666,030
Personal Property	2,695,140	903,810	171,780	122,570	1,171,250
Exemptions	(64,640,753)	(1,838,540)	(1,726,832)	(873,123)	(3,701,300)
Total Property Valuations	\$ 171,497,352	\$ 102,263,100	\$ 78,046,638	\$ 50,322,097	\$ 19,852,950
Tax Rates per \$100 Valuation:					
Maintenance tax rates	\$ 0.3722	\$ 0.64899	\$ 0.64426	\$ 0.6276	\$ 0.6038
Contract tax rates	0.6950	0.69500	0.69500	0.6950	0.7000
Debt service tax rates	0.2750				
Total Tax Rates per \$100 Valuation	\$ 1.3422	\$ 1.34399	\$ 1.33926	\$ 1.3226	\$ 1.3038
Adjusted Tax Levy	\$ 2,301,837	\$ 1,374,406	\$ 1,045,247	\$ 665,560	\$ 258,843
Percentage of Taxes Collected to Taxes Levied**	99.93%	99.92%	100.00%	100.00%	100.00%

* Maximum maintenance tax rate approved by voters for water, wastewater, drainage and recreational facilities:

\$1.50 on May 8, 2010

* Maximum maintenance tax rate approved by voters for road facilities:

\$0.25 on May 8, 2010

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 105,000	\$ 161,375	\$ 266,375
2020	110,000	159,275	269,275
2021	115,000	157,075	272,075
2022	125,000	153,625	278,625
2023	130,000	149,875	279,875
2024	135,000	145,975	280,975
2025	140,000	141,925	281,925
2026	150,000	137,725	287,725
2027	155,000	133,225	288,225
2028	165,000	128,575	293,575
2029	170,000	123,625	293,625
2030	180,000	118,313	298,313
2031	190,000	112,463	302,463
2032	200,000	106,050	306,050
2033	210,000	99,050	309,050
2034	220,000	91,700	311,700
2035	230,000	83,725	313,725
2036	240,000	75,388	315,388
2037	255,000	66,388	321,388
2038	265,000	56,825	321,825
2039	280,000	46,888	326,888
2040	295,000	36,038	331,038
2041	310,000	24,606	334,606
2042	325,000	12,594	337,594
	<u>\$ 4,700,000</u>	<u>\$ 2,522,303</u>	<u>\$ 7,222,303</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 275,000	\$ 234,688	\$ 509,688
2020	275,000	223,688	498,688
2021	275,000	211,313	486,313
2022	275,000	198,938	473,938
2023	275,000	186,563	461,563
2024	275,000	174,188	449,188
2025	275,000	161,813	436,813
2026	275,000	156,313	431,313
2027	275,000	150,469	425,469
2028	275,000	143,938	418,938
2029	275,000	137,063	412,063
2030	275,000	129,500	404,500
2031	275,000	121,250	396,250
2032	275,000	113,000	388,000
2033	275,000	104,750	379,750
2034	275,000	96,500	371,500
2035	275,000	127,906	402,906
2036	275,000	79,313	354,313
2037	275,000	70,375	345,375
2038	275,000	61,438	336,438
2039	275,000	52,156	327,156
2040	275,000	42,875	317,875
2041	275,000	33,250	308,250
2042	275,000	23,625	298,625
2043	400,000	14,000	414,000
	<u>\$ 7,000,000</u>	<u>\$ 3,048,912</u>	<u>\$ 10,048,912</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2019	\$ 380,000	\$ 396,063	\$ 776,063
2020	385,000	382,963	767,963
2021	390,000	368,388	758,388
2022	400,000	352,563	752,563
2023	405,000	336,438	741,438
2024	410,000	320,163	730,163
2025	415,000	303,738	718,738
2026	425,000	294,038	719,038
2027	430,000	283,694	713,694
2028	440,000	272,513	712,513
2029	445,000	260,688	705,688
2030	455,000	247,813	702,813
2031	465,000	233,713	698,713
2032	475,000	219,050	694,050
2033	485,000	203,800	688,800
2034	495,000	188,200	683,200
2035	505,000	211,631	716,631
2036	515,000	154,701	669,701
2037	530,000	136,763	666,763
2038	540,000	118,263	658,263
2039	555,000	99,044	654,044
2040	570,000	78,913	648,913
2041	585,000	57,856	642,856
2042	600,000	36,219	636,219
2043	400,000	14,000	414,000
	<u>\$ 11,700,000</u>	<u>\$ 5,571,215</u>	<u>\$ 17,271,215</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 173
TSI-6. Change in Long-Term Bonded Debt
September 30, 2018

	Bond Issue		Totals
	Series 2016	Series 2017	
Interest rate	2.00% - 3.875%	2.00% - 3.875%	
Dates interest payable	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/18 to 9/1/42	9/1/19 to 9/1/43	
Beginning bonds outstanding	\$ 4,800,000	\$ -	\$ 4,800,000
Bonds issued		7,000,000	7,000,000
Bonds retired	(100,000)		(100,000)
Ending bonds outstanding	<u>\$ 4,700,000</u>	<u>\$ 7,000,000</u>	<u>\$ 11,700,000</u>
Interest paid during fiscal year	<u>\$ 163,375</u>	<u>\$ 176,016</u>	<u>\$ 339,391</u>

Paying agent's name and city
Series 2016 and 2017

The Bank of New York Mellon Trust Company, N.A. Dallas, Texas

Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 103,376,000	\$ 45,920,000	\$ 24,430,000
Amount Issued	(11,800,000)		
Remaining To Be Issued	<u>\$ 91,576,000</u>	<u>\$ 45,920,000</u>	<u>\$ 24,430,000</u>

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

Debt Service Fund cash and investments balances as of September 30, 2018: \$ 622,895

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 690,849

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 639,060	\$ 553,430	\$ 216,169	\$ 122,507	\$ 119,871
Investment earnings	1,669	123	39	44	
Total Revenues	640,729	553,553	216,208	122,551	119,871
Expenditures					
Operating and administrative					
Professional fees	70,767	160,154	51,695	46,615	48,142
Contracted services	9,680	26,321	12,747	13,876	12,029
Administrative	16,007	18,203	15,757	13,835	12,878
Master District fees	475,140	444,300	181,830	79,740	29,550
Total Expenditures	571,594	648,978	262,029	154,066	102,599
Revenues Over (Under) Expenditures	\$ 69,135	\$ (95,425)	\$ (45,821)	\$ (31,515)	\$ 17,272

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
100%	100%	100%	100%	100%
*	*	*	*	
100%	100%	100%	100%	100%
11%	29%	24%	38%	40%
2%	5%	6%	11%	10%
2%	3%	7%	11%	11%
74%	80%	84%	65%	25%
89%	117%	121%	125%	86%
11%	(17%)	(21%)	(25%)	14%

Fort Bend County Municipal Utility District No. 173

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	\$ 1,663,682	\$ 591,811	\$ 231,964	\$ 135,676	\$ 138,798
Penalties and interest	14,779	2,180	320		
City of Fulshear tax rebates	96,370	40,858			
Accrued interest on bonds sold	12,386	9,530	450		
Miscellaneous	282	332		200	80
Investment earnings	10,092	867	177	122	104
Total Revenues	<u>1,797,591</u>	<u>645,578</u>	<u>232,911</u>	<u>135,998</u>	<u>138,982</u>
Expenditures					
Administrative	30,332	1,221	2,113	429	85
Debt service					
Contractual obligation	1,178,716	560,464	216,066	123,522	133,755
Debt interest and fees	<u>341,641</u>	<u>137,646</u>			
Total Expenditures	<u>1,550,689</u>	<u>699,331</u>	<u>218,179</u>	<u>123,951</u>	<u>133,840</u>
Revenues Over (Under) Expenditures	<u>\$ 246,902</u>	<u>\$ (53,753)</u>	<u>\$ 14,732</u>	<u>\$ 12,047</u>	<u>\$ 5,142</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2018	2017	2016	2015	2014
92%	93%	100%	100%	100%
1%	*	*		
5%	6%			
1%	1%	*		
*	*		*	*
1%	*	*	*	*
100%	100%	100%	100%	100%
2%	*	1%	*	*
66%	87%	93%	91%	96%
19%	21%			
87%	108%	94%	91%	96%
13%	(8%)	6%	9%	4%

Fort Bend County Municipal Utility District No. 173
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2018

Complete District Mailing Address: c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600, Houston, TX 77027

District Business Telephone Number: (713) 860-6400

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 11, 2018

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Judith Y. Klein	5/2016 - 5/2020	\$ 1,500	\$ 402	President
Patrick Newton	5/2018 - 5/2022	1,950	271	Vice President
Linda Penney	5/2018 - 5/2022	1,050	499	Assistant Secretary
Jeffery Bauguss	5/2018 - 5/2022	1,800	169	Secretary
Holly Miday	9/2017 - 5/2020	1,500	310	Assistant Vice President
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i> <i>Bond counsel</i>	2008	\$ 76,058 213,599		Attorney
F. Matuska, Inc.	2010	11,546		Bookkeeper
Assessments of the Southwest, Inc.	2010	12,283		Tax Collector
Fort Bend Central Appraisal District	Legislation	15,050		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2011	738		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2010	5,438		Engineer
McGrath & Co, PLLC	Annual	24,750		Auditor
Masterson Advisors, LLC	2018	27,245		Financial Advisor
FirstSouthwest, a Division of Hilltop Securities	2010	129,616		Former Financial Advisor

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