

**OFFICIAL STATEMENT DATED NOVEMBER 2, 2020**

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

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

NEW ISSUE—Book-Entry-Only

Insured Rating (AGM): S&P "AA" (stable outlook)  
 Underlying Rating: S&P "BBB-"  
 See "MUNICIPAL BOND RATING" and  
 "MUNICIPAL BOND INSURANCE" herein.

**\$13,500,000**  
**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 169**  
**(A political subdivision of the State of Texas located within Fort Bend County)**  
**CONTRACT REVENUE BONDS**  
**(WATER, SEWER AND DRAINAGE FACILITIES)**  
**SERIES 2020C**

The bonds described above (the "Bonds") are special obligations of Fort Bend County Municipal Utility District No. 169 (the "Master District" or the "District") payable solely from and to the extent of payments required to be made to the Trustee (as herein defined) by the District and Fort Bend County Municipal Utility District Nos. 170, 171, 172 and 173 (the "MUD Participants") from proceeds of an unlimited annual ad valorem tax, levied by each MUD Participant or from other revenues available to such MUD Participant (the "Water/Sewer/Drainage Contract Payment(s)"). Payment of Water/Sewer/Drainage Contract Payments by MUD Participants and use of such proceeds by the Master District to pay debt service on the Bonds is governed by the Contract for Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract") as described more fully herein under "MASTER DISTRICT CONTRACT." The Bonds are obligations of the Master District and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear, any of the MUD Participants (except the Master District), or any entity other than the Master District.

**Dated: December 1, 2020**

**Due: December 1, as shown below**

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar" or "Paying Agent"), in Houston, Texas. Interest on the Bonds accrues from December 1, 2020, and is payable June 1, 2021, and each December 1 and June 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360 day year of twelve 30 day months.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" herein.

**MATURITY SCHEDULE**

Due (December 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (December 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2021	\$ 300,000	4.000 %	0.600 %	34682H UX2	2028	\$ 300,000 (a)	2.000 %	1.600 %	34682H VE3
2022	300,000	4.000	0.700	34682H UY0	2029	385,000 (a)	2.000	1.800	34682H VF0
2023	300,000	4.000	0.800	34682H UZ7	2030	405,000 (a)	2.000	2.000	34682H VG8
2024	300,000	4.000	0.900	34682H VA1	2031	425,000 (a)	2.000	2.102	34682H VH6
2025	300,000	4.000	1.000	34682H VB9	2032	445,000 (a)	2.000	2.200	34682H VJ2
2026	300,000	4.000	1.150	34682H VC7	2033	465,000 (a)	2.125	2.300	34682H VK9
2027	300,000 (a)	2.000	1.400	34682H VD5	2034	485,000 (a)	2.250	2.470	34682H VL7

\$1,045,000 Term Bonds due December 1, 2036 (a), 34682H VN3 (b), 2.375% Interest Rate, 2.500% Yield (c)  
 \$2,045,000 Term Bonds due December 1, 2039 (a), 34682H VR4 (b), 2.500% Interest Rate, 2.600% Yield (c)  
 \$2,700,000 Term Bonds due December 1, 2042 (a), 34682H VU7 (b), 2.500% Interest Rate, 2.650% Yield (c)  
 \$2,700,000 Term Bonds due December 1, 2045 (a), 34682H VX1 (b), 2.500% Interest Rate, 2.700% Yield (c)

- (a) Bonds maturing on or after December 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on December 1, 2026, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from December 1, 2020 to the date fixed for delivery is to be added to the price.

The Bonds, when issued, will constitute valid and legally binding special obligations of the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this OFFICIAL STATEMENT prior to making an investment decision, particularly the section captioned "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 9, 2020, in Houston, Texas.

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**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

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

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

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

## **OFFICIAL STATEMENT SUMMARY**

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

### **THE MASTER DISTRICT**

*Description*..... Fort Bend County Municipal Utility District No. 169 (the “Master District” or the “District”) is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) on August 21, 2007, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District, as a MUD Participant (as hereinafter defined), will provide water, sanitary sewer, and drainage facilities to the approximate 321 acres of land within its boundaries. The District, as the Master District, serves as the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities for an approximately 3,293 acre service area (the “Service Area”) comprised of the District, Fort Bend County Municipal Utility District No. 170 (“MUD 170”), Fort Bend County Municipal Utility District No. 171 (“MUD 171”), Fort Bend County Municipal Utility District No. 172 (“MUD 172”) and Fort Bend County Municipal Utility District No. 173 (“MUD 173”). The District, MUD 170, MUD 171, MUD 172 and MUD 173 are herein collectively referred to as the “MUD Participants”. See “THE MUD PARTICIPANTS” and “THE DISTRICT AND THE SERVICE AREA.”

*Location*..... The Service Area is located approximately 31 miles west of the central downtown business district of the City of Houston, Texas in Fort Bend County. The Service Area lies wholly within the boundaries of the City of Fulshear (the “City”). Access to the Service Area is provided via Interstate Highway 10 West or U.S. Highway 59 South to Texas State Highway 99 (the “Grand Parkway”), a limited access state highway, and the Westpark Toll Road. See “THE DISTRICT AND THE SERVICE AREA.”

#### *Infectious Disease Outlook*

*(COVID-19)*..... The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the Service Area. Principal and interest on the Bonds are payable from and secured by an unconditional obligation of each MUD Participant to make Water/Sewer/Drainage Contract Payments (as defined herein) pursuant to the Master District Contract (as defined herein), and a reduction in property values within the Service Area may require an increase in the MUD Participants’ ad valorem tax rates required to pay the MUD Participant’s obligations pursuant to the Master District Contract, including the Water/Sewer/Drainage Contract Payment. See “THE BONDS—Source of and Security of Payment” and “THE MASTER DISTRICT CONTRACT.”

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

*Recent Extreme Weather*

*Events*..... The greater Houston area, including the Service Area, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the Service Area as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

The District constructs for the benefit of and conveyance to the City of Fulshear (the “City”), certain water, wastewater and drainage facilities needed to serve land being developed within the Service Area, and upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of the facilities. According to the City, the City’s water supply and distribution system and wastewater treatment and collection system serving the property within the Service Area’s boundaries did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service to the Service Area as a result of Hurricane Harvey. Further, according to the Developers (as hereinafter defined), no taxable improvements within the Service Area experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

*Service Area* ..... The Service Area is comprised of approximately 3,293 acres, which consists of (i) Cross Creek Ranch, an approximately 3,199 acre master planned community (“Cross Creek Ranch”); (ii) an approximately 71 acre tract; and (iii) an approximately 23 acre tract.

*Developers*..... The primary developers of Cross Creek Ranch are (1) CCR Texas Holdings LP, a Delaware limited partnership (“CCR Texas”) with Johnson/CCR GP, LLC as its general partner, and (2) CCR Loan Subsidiary 1, L.P. (“CCR Subsidiary”), a Texas limited partnership with CCR Loan Sub 1 LLC as its general partner. CCR Subsidiary is wholly owned by CCR Texas.

Johnson CCR Management LLC, an affiliate of The Johnson Development Corp. (“Johnson Development”) is the development manager for Cross Creek Ranch. Johnson Development is a Houston-based, residential and commercial land development company. For more than forty years, Johnson Development has developed master-planned communities in Houston, Atlanta, San Antonio and other markets. Johnson Development engages in development activities through itself and related entities.

Landmark Industries Inc. (“Landmark”) originally owned a 71 acre site within the boundaries of MUD 173 which is being developed for commercial purposes. Landmark has developed or sold 30 acres of the approximate 71 acre site within MUD 173 which it owned. As of January 1, 2020, Landmark owned approximately 41 acres of land in MUD 173.

RK CCR North, Ltd. (“RK CCR North”) owns approximately 9 acres, including 1.5 acres that have been developed for commercial use in MUD 173.

The Market at CCR Ltd., a Texas limited partnership (“The Market at CCR”), owns approximately 4 acres of undeveloped land intended for commercial retail usage in MUD 173. The Market at CCR has also sold approximately 23 acres to TLM-CCR Phase II LLC (“TLM-CCR”). The Market at CCR has an agreement with TLM-CCR in which it has a right of first refusal and a set cost to purchase the 23 acres over a specific period of time. TLM-CCR is not typically a developer of land, and it is expected that either the land owned by TLM-CCR will be sold back to The Market at CCR or to an ultimate purchaser for development. TLM-CCR Phase II has sold approximately 8 acres for retail purposes and the purchaser of such acreage has an option to purchase an additional 4.5 acres of land.

Taylor Morrison of Texas Inc. (“Taylor Morrison”) owns approximately 73 acres in MUD 170 which is planned for the remaining sections of the single family subdivision of Bonterra.

CCR Texas, CCR Subsidiary, Landmark, RK CCR North, The Market at CCR and Taylor Morrison are collectively referred to as the “Developers.” See “CROSS CREEK RANCH DEVELOPMENT” and “THE DEVELOPERS.”

No landowner, developer or any of their respective affiliates, is obligated to pay any principal of or interest on the Bonds. See “INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developers” and “THE DEVELOPERS.”

*Homebuilders* ..... Homebuilders in the Service Area include Avanti Homes, Partners in Building, Huntington Homes, Highland Homes, Darling Homes, Trendmaker Homes, Perry Homes, Village Builders, Newmark Homes Houston, Sitterle Homes, Taylor Morrison Homes, Chesmar Homes and Lennar Homes. See “THE DEVELOPERS—Homebuilding.”

*Status of Development* ..... Development in the Service Area currently consists of the residential development within MUD 170, MUD 171, MUD 172, and MUD 173. Homes within the Service Area range in price from approximately \$250,000 to over \$1,000,000. As of September 29, 2020, there were 1,818 acres developed into 4,922 single-family lots, which includes 4,081 occupied completed homes, 82 unoccupied completed homes of which 32 are model homes, 130 homes under construction (43 homes are not under contract for purchase and 87 homes are under contract for purchase), 629 developed lots available for home construction and 181 lots on approximately 51 acres under construction.

The Saint Faustina Catholic Church has been constructed on approximately 33 acres of land in MUD 171 and is exempt from the payment of property taxes. A Welcome Center, which includes the Cross Creek Fitness Center, the Adventure Island Water Park, Italian Maid Cafe and a 70-foot observation tower, has been constructed on approximately 7 acres of land in MUD 171. An Ivy Kids Day Care has been constructed on approximately 2 acres in MUD 171. A CVS Pharmacy, the Children’s Lighthouse Daycare facility, three shopping centers, the Cross Creek Office Complex, an Aldi’s Grocery, and a veterinary clinic have been constructed in MUD 172 on approximately 22 acres of land. An elementary school has been constructed on approximately 14 acres of land also in MUD 172 and is exempt from the payment of property taxes. The Market at Cross Creek Ranch, McDonald’s Restaurant and Shell Gas Station convenience store, Christian Brothers Automotive, a Sonic restaurant, 2 banks and the Shops at Cross Creek Ranch Phases 1 and 2 have been constructed in MUD 173 on approximately 38 acres of land. A HEB Grocery Store has been constructed on a 14 acre tract of land in MUD 173. There has also been a self storage facility constructed on approximately 2.5 acres of land in MUD 173. The Parklane Fulshear Apartments (390 units) have been constructed on a 22 acre tract of land in MUD 173. An elementary school has been constructed on a 14 acre tract in MUD 173 and is exempt from the payment of property taxes. A middle school and a high school have been constructed on approximately 111 acres in MUD 173 owned by Katy Independent School District and are exempt from the payment of property taxes. The Marcel Town Center, a shopping center, has been constructed on approximately 11 acres in MUD 170. The Bonterra Recreation Center has also been constructed on approximately 4 acres in MUD 170.

In addition, there are approximately 333 developable acres that have not been provided with water distribution, wastewater collection, storm drainage, road or park facilities and approximately 762 acres that are currently considered not developable. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots,” “THE DISTRICT AND THE SERVICE AREA—Land Use—Status of Development,” and “APPENDIX A.”

*Master Facilities* ..... The Master District, in its capacity as the provider of regional water, sanitary sewer, and drainage facilities (“Master District Water/Sewer/Drainage Facilities”), regional park and recreational facilities (“Master District Park Facilities”), and arterial, collector, or thoroughfare roads and improvements in aid thereof (“Master District Road Facilities”) necessary to serve the Service Area (hereinafter collectively referred to as the “Master District Facilities”), has contracted with each of the MUD Participants to construct the Master District Facilities and to provide service from those Master District Facilities not accepted by the City for operation and maintenance (the “Master District Contract”). See “INVESTMENT CONSIDERATIONS—Maximum Impact on Contract Tax Rate” and “THE SYSTEM—Master District Facilities.”

Pursuant to a Utility Agreement between the Master District and the City, the Master District constructs the Master District Water/Sewer/Drainage Facilities to serve the Service Area, and conveys certain of said facilities to the City for operation and maintenance by the City. The Master District retains operation and maintenance responsibilities for non-potable water facilities, Master District Park Facilities and detention/drainage ditch facilities constructed by the Master District. See “MASTER DISTRICT CONTRACT.” Pursuant to utility agreements with the City, each MUD Participant, including the District, constructs the water, sanitary sewer, and drainage facilities internal to the respective MUD Participant that serve only such MUD Participant and conveys said facilities to the City for operation and maintenance by the City. Each MUD Participant retains operation and maintenance responsibilities for park/recreational facilities and detention pond and drainage ditch facilities, if any, constructed by the MUD Participant that serve only the MUD Participant. See “THE MUD PARTICIPANTS – Utility Agreement with the City.” To date, the City has accepted operation and maintenance responsibilities for the roads within the Service Area, including the arterial, collector, and thoroughfare roads. See “THE SYSTEM – Master District Facilities.”

*Payment History* ..... The Master District has previously issued ten series of contract revenue bonds in the principal amount of \$115,185,000 to fund Master District Water/Sewer/Drainage Facilities, six series of contract revenue bonds in the principal amount of \$58,790,000 to fund Master District Road Facilities and four series of contract revenue refunding bonds in the principal amount of \$29,240,000, of which \$159,640,000 collectively remains outstanding (the “Outstanding Bonds”). The Bonds are the Master District's twenty-first issuance of contract revenue bonds. The Master District has never defaulted in the timely payment of principal or interest on its previously issued bonds.

## **THE BONDS**

*Description* ..... Fort Bend County Municipal Utility District No. 169 Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2020C are being issued in the aggregate principal amount of \$13,500,000 as serial bonds maturing on December 1 of each of the years 2021 through 2034, both inclusive and as term bonds maturing on December 1 in each of the years 2036, 2039, 2042 and 2045 (the “Term Bonds”). Interest accrues from December 1, 2020 and is payable each June 1 and December 1, beginning June 1, 2021 at the rates per annum set forth on the cover page hereof. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.

*Book-Entry-Only* ..... The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

*Redemption* ..... Bonds maturing on or after December 1, 2027 are subject to redemption at the option of the District prior to their maturity dates on December 1, 2026, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Short Term Debt* ..... The District sold a \$4,875,000 Bond Anticipation Note, Series 2020 (the “BAN”) on June 16, 2020, with a maturity date of June 15, 2021. The District will use a portion of the Bond proceeds to redeem the BAN prior to maturity. See “INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Short Term Debt.”

*Use of Proceeds*..... Proceeds of the Bonds will be used by the Master District to retire the BAN, to reimburse certain of the Developers for certain construction costs, to pay interest on funds advanced by certain of the Developers on behalf of the District, to deposit into the Water/Sewer/Drainage Reserve Fund (defined below) an amount needed to satisfy the reserve requirement associated with the issuance of the Bonds, and to pay certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

*Authority for Issuance* ..... To provide Master District Water/Sewer/Drainage Facilities for the entire Service Area, the Master District is authorized by the Master District Contract to issue contract revenue bonds in an amount not to exceed \$483,000,000 in principal amount for the purpose of constructing and acquiring Master District Water/Sewer/Drainage Facilities and for the purpose of refunding such bonds. All of the \$483,000,000 of bonds mentioned above, including the Bonds, and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Water/Sewer/Drainage Facilities, or refunding such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the “Water/Sewer/Drainage Contract Revenue Bonds.” All Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, including the Bonds, will be payable from the Water/Sewer/Drainage Contract Payments (as defined herein).

The Bonds are issued pursuant to the Master District Contract, an order of the TCEQ, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), the Water/Sewer/Drainage Indenture (as defined herein), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas. See “THE BONDS—Authority for Issuance, Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Source and Security of Payment*..... Principal of and interest on the Bonds are payable from and secured by an unconditional obligation of each MUD Participant to make certain Water/Sewer/Drainage Contract Payments (as herein defined) pursuant to the Master District Contract. By execution of the Master District Contract, each MUD Participant has agreed to pay a pro rata share of annual debt service on the Bonds, based upon the gross certified assessed valuation of each MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants. Each MUD Participant is obligated to make such annual payments from the proceeds of an annual unlimited ad valorem tax levied by such MUD Participant for such purpose on property within its boundaries, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other lawful source of its income. (Since the MUD Participants’ water distribution and wastewater collection systems are required to be conveyed to the City pursuant to individual utility agreements between the MUD Participants and the City, it is not expected that the MUD Participants will have any revenues from such systems.) No MUD Participant is liable for the payments owed by any other MUD Participant; however, failure of any MUD Participant to make its Water/Sewer/Drainage Contract Payment, as required by the Master District Contract, could result in an increase in the Water/Sewer/Drainage Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant’s payment is delinquent. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear, any of the MUD Participants (except the Master District), or any entity other than the Master District. See “THE BONDS—Source and Security of Payment—Unconditional Obligation to Pay” and “MASTER DISTRICT CONTRACT.”

The Bonds are secured under an Indenture of Trust dated as of December 1, 2009 (the “Water/Sewer/Drainage Indenture”) between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the “Trustee”). Pursuant to the Water/Sewer/Drainage Indenture, the Master District has assigned and pledged to the Trustee for the benefit of the owners of the Bonds and all other Water/Sewer/Drainage Contract Revenue Bonds all of the Master District’s right, title and interest in and to the Water/Sewer/Drainage Contract Payments under the Master District Contract, and the Trustee has the right to assert and enforce all of the Master District’s rights and remedies under the Master District Contract relating to the Water/Sewer/Drainage Contract Revenue Bonds in the event of a default. Under the Water/Sewer/Drainage Indenture, the Trustee will maintain a Water/Sewer/Drainage Debt Service Fund for deposit of the Water/Sewer/Drainage Contract Payments in an amount equal to the annual principal and interest due on the Water/Sewer/Drainage Contract Revenue Bonds (the “Water/Sewer/Drainage Debt Service Fund”), and a reserve fund to be used to pay principal of

and interest on the Water/Sewer/Drainage Contract Revenue Bonds when insufficient funds are available for such purpose in the Water/Sewer/Drainage Debt Service Fund, or to pay the principal of and interest on the Water/Sewer/Drainage Contract Revenue Bonds in connection with a refunding or redemption (the "Water/Sewer/Drainage Reserve Fund"). See "THE INDENTURE OF TRUST." The Water/Sewer/Drainage Reserve Requirement has been established in the Bond Resolution to be a sum of money equal to one half of the maximum annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds then outstanding. Any funds that are in excess of the Water/Sewer/Drainage Reserve Requirement held in the Water/Sewer/Drainage Reserve Fund may be deposited into the Water/Sewer/Drainage Debt Service Fund, as directed by the Master District's Board of Directors.

*Municipal Bond Rating*..... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer"). In addition, S&P has assigned an underlying rating of "BBB-" to the Bonds. See "INVESTMENT CONSIDERATIONS—Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

*Not Qualified Tax-Exempt Obligations*..... The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

*Bond Counsel* ..... Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

*Disclosure Counsel* ..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

*Financial Advisor*..... Masterson Advisors LLC., Houston, Texas.

*Trustee*..... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE INDENTURE OF TRUST."

*Paying Agent/Registrar* .... The Bank of New York Mellon Trust Company, N.A., Houston, Texas.

## **THE MASTER DISTRICT CONTRACT**

*MUD Participants*..... The MUD Participants are the District, MUD 170, MUD 171, MUD 172 and MUD 173. Each MUD Participant is a municipal utility district organized and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, as amended. See "THE MUD PARTICIPANTS" and "APPENDIX A."

*Debt Service Payments*..... By execution of the Master District Contract, each of the MUD Participants has agreed to make an annual contract payment in an amount equal to its annual pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Water/Sewer/Drainage Reserve Fund, established under the Bond Resolution or Water/Sewer/Drainage Indenture based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants. MUD Participants are obligated to pay their pro rata share from the proceeds of an annual unlimited ad valorem tax levied for such purpose (the "Water/Sewer/Drainage Contract Tax") or from any other lawful source of funds. The Water/Sewer/Drainage Reserve Requirement has been established in the Bond Resolution to be, with respect to the Water/Sewer/Drainage Contract Revenue Bonds, a sum of money equal to one half of the maximum annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds then outstanding. Any funds that are in excess of the Water/Sewer/Drainage Reserve Requirement may be deposited into the Water/Sewer/Drainage Debt Service Fund, as directed by the Master District's Board of Directors. See "THE BONDS—Source and Security of Payment—Unconditional Obligation to Pay" and "MASTER DISTRICT CONTRACT."



Each MUD Participant is obligated severally, but not jointly, to make Water/Sewer/Drainage Contract Payments to the Master District. No MUD Participant is obligated, contingently or otherwise, to make any Water/Sewer/Drainage Contract Payments owed by any other MUD Participant; however, lack of payment, as required by the Master District Contract, by any MUD Participant could result in an increase in the Water/Sewer/Drainage Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant's payment is delinquent.

The Master District Contract also requires each MUD Participant to make annual contract payments ("Road Contract Payment") in an amount equal to its pro rata share of annual debt service on the Master District's outstanding and future contract revenue bonds issued for the purpose of constructing or acquiring Master District Road Facilities or for the purpose of refunding such bonds ("Road Contract Revenue Bonds") plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain certain funds, including the Road Reserve Fund, based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants. MUD Participants are obligated to pay Road Contract Payments to the Master District from the proceeds of an annual unlimited ad valorem tax levied for such purpose (the "Road Contract Tax") or from any other lawful source of funds. The Road Contract Revenue Bonds are issued pursuant to an Indenture of Trust dated as of August 1, 2012, between the Master District and The Bank of New York Mellon Trust Company, N.A. ("Road Indenture"). The Road Contract Tax and Water/Sewer/Drainage Contract Tax are referred to herein collectively as the "Contract Tax."

Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Road Contract Revenue Bonds; or (ii) fund or maintain the Road Reserve Fund.

*Monthly Charges*..... Each MUD Participant is further obligated to pay monthly charges for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities that are not being fully operated or maintained by the City. The monthly charges will be used to pay the MUD Participant's share of Master District operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each MUD Participant's share of operation and maintenance expenses and reserve requirements is based upon a unit cost of operation and maintenance expense and reserve requirements, calculated and expressed in terms of cost per equivalent single-family residential connection. The MUD Participant's monthly payment for operation and maintenance expenses is calculated by multiplying the number of equivalent single-family residential connections reserved to the MUD Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. See "INVESTMENT CONSIDERATIONS—Operational Expenses" and "MASTER DISTRICT CONTRACT."

## **INVESTMENT CONSIDERATIONS**

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

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

### Contract Revenue Bonds of the Master District (as of 10/2/20)

Direct Debt (the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds).....	\$ 118,640,000
Direct Debt (the Road Contract Revenue Bonds).....	54,500,000
Estimated Overlapping Debt .....	188,114,987(a)
<b>Total Direct and Overlapping Debt .....</b>	<b>\$361,254,987</b>

(a) See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Estimated Overlapping Debt."

### Assessed Valuations of the MUD Participants:

MUD Participant	MUD Participants'	MUD Participants'	MUD Participants'	MUD Participants'	MUD Participants'	% of
	2017 Certified	2018 Certified	2019 Certified	2020 Certified	8/1/20 Estimate	2020 Certified
	Gross Assessed	Gross Assessed	Gross Assessed	Gross Assessed	Gross Assessed	Gross Assessed
	Valuation	Valuation	Valuation	Valuation (a)	Valuation (b)	Valuation
Fort Bend County MUD 169	\$ 7,968,880	\$ 7,968,880	\$ 7,966,740	\$ 7,417,330	\$ 7,417,330	0.39%
Fort Bend County MUD 170	124,688,741	170,299,115	212,889,924	272,568,337	293,205,948	14.40%
Fort Bend County MUD 171	362,269,042	363,033,599	373,049,801	394,457,891	394,482,650	20.84%
Fort Bend County MUD 172	543,180,291	566,457,467	616,023,152	708,286,502	740,810,765	37.42%
Fort Bend County MUD 173	171,393,039	254,220,112	383,887,323	509,870,605	536,054,801	26.94%
	<u>\$ 1,209,499,993</u>	<u>\$ 1,361,979,173</u>	<u>\$ 1,593,816,940</u>	<u>\$ 1,892,600,664</u>	<u>\$ 1,971,971,494</u>	<u>100.00%</u>

(a) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for MUD Nos. 170, 171, 172 and 173).

(b) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes for MUD 170, MUD 171, MUD 172 and 173, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. These estimates have no official status. The 2020 Certified Assessed Valuation is shown for MUD 169. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

Direct Debt as a % of	
the 2020 Certified Gross Assessed Valuation .....	9.15%
the Estimated Gross Assessed Valuation as of August 1, 2020 .....	8.78%

Direct Debt and Estimated Overlapping Debt as a % of	
the 2020 Certified Gross Assessed Valuation .....	19.09%
the Estimated Gross Assessed Valuation as of August 1, 2020 .....	18.32%

### MUD Participants' Summary of 2020 Certified Gross Assessed Valuation

	Fort Bend Co	Fort Bend Co	Fort Bend Co	Fort Bend Co	Fort Bend Co	Totals
	MUD 169	MUD 170	MUD 171	MUD 172	MUD 173	
Land	\$ 7,862,670	\$ 82,675,070	\$ 98,152,468	\$ 143,130,996	\$ 177,964,686	\$ 509,785,890
Improvements	13,250	190,725,040	314,509,094	583,441,802	453,567,679	1,542,256,865
Personal Property	-	1,120,540	3,602,210	5,764,600	12,922,270	23,409,620
Exemptions	(458,590)	(4,235,519)	(23,706,422)	(31,832,968)	(139,949,902)	(200,183,401)
85% of Uncertified Value	-	2,283,206	1,900,541	7,782,072	5,365,872	17,331,690
Totals	<u>\$ 7,417,330</u>	<u>\$ 272,568,337</u>	<u>\$ 394,457,891</u>	<u>\$ 708,286,502</u>	<u>\$ 509,870,605</u>	<u>\$ 1,892,600,664</u>

**MUD Participants' Gross Value as a % of all MUD Participants**

<u>MUD Participant</u>	Certified 2020 Gross Assessed Valuation (a)	% of 2020 Certified Gross Assessed Valuation as of 1/1/2020
MUD 169	\$ 7,417,330	0.39%
MUD 170	272,568,337	14.40%
MUD 171	394,457,891	20.84%
MUD 172	708,286,502	37.42%
MUD 173	509,870,605	26.94%
Total of MUD Participants	\$ 1,892,600,664	100.00%

- (a) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for MUD Nos. 170, 171, 172 and 173).

**Status of Development as of September 29, 2020 (a):**

District	Acreage	Completed Lots	Occupied	Unoccupied	Homes Under	Homes Under	Vacant Developed Lots	Lots Under Construction
			Completed Homes (b)	Completed Homes (c)	Construction Not Under Contract	Construction Under Contract		
MUD 169	321	0	0	0	0	0	0	0
MUD 170	848	1369	741	47	21	46	514	181
MUD 171	576	899	899	0	0	0	0	0
MUD 172	910	1648	1446	28	20	39	115	0
MUD 173	<u>638</u>	<u>1006</u>	<u>995</u>	<u>7</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
	3293	4922	4081	82	43	87	629	181

**Master District Road Debt Service Funds Available as of October 5, 2020:**

Road Reserve Fund Balance .....	\$1,839,581 (d)
Road Debt Service Fund Balance .....	<u>\$1,282,335</u> (d) (e)
Total Available for Road Debt Service .....	\$3,121,916

**Master District Water/Sewer/Drainage Debt Service Funds Available as of October 5, 2020:**

Water/Sewer/Drainage Reserve Fund Balance .....	\$3,811,541 (d) (f)
Water/Sewer/Drainage Debt Service Fund Balance .....	<u>\$2,215,068</u> (d) (g)
Total Available for Water/Sewer/Drainage Debt Service .....	\$6,026,609

**Debt Service Requirements (includes the Bonds and all Outstanding Bonds):**

Maximum Annual Debt Service Requirement (2021).....	\$11,950,981 (h)
Average Annual Debt Service Requirement (2021-2045) .....	\$ 9,114,056 (h)

**Master District Capital Projects Funds Available as of October 5, 2020:**

Water/Sewer/Drainage Capital Projects Fund .....	\$3,758,006 (i)
Road Capital Projects Fund .....	\$3,999,846

**Master District Operating Funds Available as of October 5, 2020 .....** \$2,648,063 (j)

- (a) See “THE DISTRICT AND THE SERVICE AREA.”
- (b) Estimated population in the Service Area is 14,868 based upon 3.5 persons per occupied single-family residence in the Service Area and 2 persons per apartment unit (320 units).
- (c) Includes 32 Model Homes.
- (d) All of the Master District’s Contract Revenue Bond debt is payable from Contract Taxes as follows: (i) the Water/Sewer/Drainage Contract Tax with respect to Water/Sewer/Drainage Contract Revenue Bonds, and (ii) the Road Contract Tax with respect to the Road Contract Revenue Bonds. The revenues from the Water/Sewer/Drainage Contract Tax will be allocated to Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds and the outstanding Water/Sewer/Drainage Contract Revenue Bonds, and the revenues from the Road Contract Tax will be allocated to the Road Contract Revenue Bonds. See “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Outstanding Bonds”. The Road Debt Service Fund is not pledged to the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds nor will funds deposited into the Water/Sewer/Drainage Debt Service Fund be pledged to Road Contract Revenue Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Debt Service Requirements.”
- (e) Excludes funds to be used to make the District’s December 1, 2020 debt service payment in the amount of \$2,224,989.
- (f) From the proceeds of the Bonds, the District will deposit \$324,393 into the Water/Sewer/Drainage Reserve Fund, which is the amount needed to satisfy the Water/Sewer/Drainage Reserve Requirement associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (g) Excludes funds to be used to make the District’s December 1, 2020 debt service payment in the amount of \$6,033,091.
- (h) Each MUD Participant is obligated to pay a pro rata share of annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds by the dates specified by the Master District. See “THE BONDS—Contract Payments by the MUD Participants—Unconditional Obligation to Pay” and “MASTER DISTRICT CONTRACT.” The Master District has specified March 1 and September 1 as the dates by which the MUD Participants are required to pay contract payments that are due for Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds. The Road Indenture provides that the Road Contract Payments will be paid directly to the Trustee semiannually on or before June 1 and December 1 of each year, and the Water/Sewer/Drainage Indenture provides that the Water/Sewer/Drainage Contract Payments will be paid directly to the Trustee semiannually on or before June 1 and December 1 of each year.
- (i) Includes \$2,860,000 of surplus funds to be applied towards projects to be financed by the Bonds.
- (j) Includes approximately \$584,888 from the City of Fulshear pursuant to a cost sharing agreement between the District and the City for rehabilitation of the Leased Wastewater Plant (as defined herein) and construction of additional improvements to the Leased Wastewater Plant and the Permanent Wastewater Plant (as defined herein).

**Select Tax Data (a) :**

	2020 Debt Service Tax Rate	2020 Maintenance Tax Rate	2020 Contract Tax Rate	2020 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.66338	\$0.67500	\$1.33838
Fort Bend County MUD 170	\$0.36000	\$0.29338	\$0.68500	\$1.33838
Fort Bend County MUD 171	\$0.21500	\$0.16000	\$0.69500	\$1.07000
Fort Bend County MUD 172	\$0.26500	\$0.13000	\$0.69500	\$1.09000
Fort Bend County MUD 173	\$0.30000	\$0.25500	\$0.71500	\$1.27000
	2019 Debt Service Tax Rate	2019 Maintenance Tax Rate	2019 Contract Tax Rate	2019 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.65338	\$0.68500	\$1.33838
Fort Bend County MUD 170	\$0.36750	\$0.30588	\$0.66500	\$1.33838
Fort Bend County MUD 171	\$0.23500	\$0.14420	\$0.69500	\$1.07420
Fort Bend County MUD 172	\$0.29500	\$0.14500	\$0.69500	\$1.13500
Fort Bend County MUD 173	\$0.35500	\$0.30838	\$0.67500	\$1.33838
	2018 Debt Service Tax Rate	2018 Maintenance Tax Rate	2018 Contract Tax Rate	2018 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.65338	\$0.68500	\$1.33838
Fort Bend County MUD 170	\$0.36750	\$0.29838	\$0.67250	\$1.33838
Fort Bend County MUD 171	\$0.27000	\$0.14150	\$0.69500	\$1.10650
Fort Bend County MUD 172	\$0.29500	\$0.17000	\$0.69500	\$1.16000
Fort Bend County MUD 173	\$0.33000	\$0.30338	\$0.70500	\$1.33838

(a) Does not include overlapping tax rates of Fort Bend County, the City of Fulshear, Fort Bend County Emergency Services District No. 4, Lamar Consolidated Independent School District or the Katy Independent School District. See “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)— Overlapping Taxes.”

## OFFICIAL STATEMENT

\$13,500,000

### FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 169 (A political subdivision of the State of Texas located within Fort Bend County)

#### CONTRACT REVENUE BONDS (WATER, SEWER AND DRAINAGE FACILITIES) SERIES 2020C

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 169 (the "Master District" or the "District") of its \$13,500,000 Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2020C (the "Bonds").

The Bonds are issued pursuant to the Contract for Financing, Operation, and Maintenance of Regional Facilities, as amended (the "Master District Contract") between the Master District and each of the MUD Participants (as defined below), Article XVI, Section 59 of the Texas Constitution, an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the Master District (the "Board") and an Indenture of Trust by and between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee dated as of December 1, 2009 (the "Water/Sewer/Drainage Indenture").

This Official Statement includes descriptions, among others, of the Bonds; the Bond Resolution and the Water/Sewer/Drainage Indenture; certain other information about the District and Fort Bend County Municipal Utility District Nos. 170, 171, 172 and 173 (collectively, the "MUD Participants"); the approximate 3,293 acre area that comprises the boundaries of the MUD Participants (the "Service Area") to be provided with regional water, sanitary sewer, and drainage facilities ("Master District Water/Sewer/Drainage Facilities"), regional park and recreational facilities ("Master District Park Facilities"), and arterial, collector, or thoroughfare roads and improvements in aid thereof ("Master District Road Facilities") constructed by the Master District; the Master District Contract; CCR Texas Holdings LP ("CCR Texas"); CCR Loan Subsidiary 1, L.P. ("CCR Subsidiary"), Landmark Industries, Inc. ("Landmark"), Taylor Morrison of Texas Inc. ("Taylor Morrison"), The Market at CCR, Ltd. (the "Market at CCR"), and RK CCR North Ltd. ("RK CCR North"). The Master District Water/Sewer/Drainage Facilities, the Master District Park Facilities, and the Master District Road Facilities are collectively referred to herein as the "Master District Facilities." All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the District, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

## THE BONDS

### Description

The Bonds will be dated December 1, 2020, with interest payable each June 1 and December 1, beginning June 1, 2021 (the "Interest Payment Date"), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

### Method of Payment of Principal and Interest

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

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

### **Source of and Security of Payment**

The Bonds are payable solely from payments the MUD Participants make to the Trustee for the purpose of paying the debt service on the Bonds pursuant to the requirements of the Master District Contract. The Master District Contract provides that all MUD Participants shall pay a pro rata share of annual debt service on any Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, including the Bonds, based upon each MUD Participant's gross certified assessed valuation as a percentage of the total gross certified assessed valuation of all MUD Participants. The debt service requirements shall be calculated to include the charges and expenses of paying agents, registrars and trustees utilized in connection with the Water/Sewer/Drainage Contract Revenue Bonds, the principal, interest and redemption requirements of the Water/Sewer/Drainage Contract Revenue Bonds and all amounts required to establish and maintain funds established under the Bond Resolution or Water/Sewer/Drainage Indenture. Each MUD Participant is obligated to pay its pro rata share of the annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the "Water/Sewer/Drainage Contract Tax"), revenues, if any, derived from the operation of its water distribution and wastewater collection system or from any other legally available funds of such MUD Participant. (Since the MUD Participants' water distribution and wastewater collection systems are required to be conveyed to the City of Fulshear (the "City") pursuant to individual utility agreements between the MUD Participants and the City, it is not expected that the MUD Participants will have any revenues from such systems.) Each MUD Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Water/Sewer/Drainage Contract Tax for the purpose of paying debt service on the Bonds is the sole responsibility of each MUD Participant. The Bonds are obligations of the Master District and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear, any of the MUD Participants except the Master District, or any entity other than the Master District.

### **Water/Sewer/Drainage Contract Payments by the MUD Participants**

The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Water/Sewer/Drainage Contract Payments due from each MUD Participant in the following calendar year. The Water/Sewer/Drainage Contract Payments shall be billed to each MUD Participant by the Master District on or before September 1 of the year prior to the year in which such Water/Sewer/Drainage Contract Payments become due, or as soon thereafter as practical. Such Water/Sewer/Drainage Contract Payments shall be due and payable from each MUD Participant to the Trustee semiannually by the dates specified by the Master District. The Master District specified March 1 and September 1 of each year as the dates by which the MUD Participants' Water/Sewer/Drainage Contract Payments are due to the Trustee. The Water/Sewer/Drainage Indenture provides that the Water/Sewer/Drainage Contract Payments will be paid directly to the Trustee semiannually on or before June 1 and December 1 of each year.

### **Unconditional Obligation to Pay**

All charges imposed by the Master District to pay debt service on the Bonds will be made by the MUD Participants without set-off, counterclaim, abatement, suspension or diminution. No MUD Participant will have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the MUD Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities (as defined herein), failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the MUD Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the MUD Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any MUD Participant disputes the amount to be paid to the Master District, the MUD Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all MUD Participants so that the MUD Participant will receive credit for its overpayments.

### **Funds**

In the Bond Resolution, the Water/Sewer/Drainage Debt Service Fund and the Water/Sewer/Drainage Reserve Fund are confirmed, and the proceeds from Water/Sewer/Drainage Contract Payments collected for and on account of the Bonds shall be deposited, as collected, in such funds. See "THE INDENTURE OF TRUST."

**Redemption Provisions**

*Mandatory Redemption:* The Bonds due on December 1 in the years 2036, 2039, 2042 and 2045 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on December 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus accrued interest to the date of redemption:

<b>\$1,045,000 Term Bonds Due December 1, 2036</b>		<b>\$2,045,000 Term Bonds Due December 1, 2039</b>	
<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>
2035	\$ 510,000	2037	\$ 560,000
2036 (maturity)	535,000	2038	585,000
		2039 (maturity)	900,000

  

<b>\$2,700,000 Term Bonds Due December 1, 2042</b>		<b>\$2,700,000 Term Bonds Due December 1, 2045</b>	
<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>	<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>
2040	\$ 900,000	2043	\$ 900,000
2041	900,000	2044	900,000
2042 (maturity)	900,000	2045 (maturity)	900,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on or after December 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on December 1, 2026, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

**Authority for Issuance**

Pursuant to individual elections, the voters of each MUD Participant approved the Master District Contract. The Master District Contract authorizes the Master District to issue \$483,000,000 in principal amount of contract revenue bonds for acquiring and constructing Master District Water/Sewer/Drainage Facilities and refunding of such bonds. The Master District Contract also authorizes the Master District to issue other contract revenue bonds for other purposes. See “Issuance of Additional Debt” below and “MASTER DISTRICT CONTRACT”.



The Bonds are issued by the District pursuant to the terms and provisions of the Master District Contract, the terms and conditions of the Bond Resolution and the Water/Sewer/Drainage Indenture, Article XVI, Section 59 of the Texas Constitution, Chapter 49 and Chapter 54 of the Texas Water Code, as amended, the general laws of the State of Texas, and an order of the TCEQ.

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

### **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferable. See "BOOK- ENTRY-ONLY-SYSTEM."

In the event the Book-Entry-Only System should be discontinued, Bonds shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefore, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented. All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution and the Water/Sewer/Drainage Indenture to the same extent as the Bond or Bonds in lieu of which such Bond is delivered. Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15<sup>th</sup> calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond. The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District. The provisions of this paragraph are subject to the Book-Entry-Only System.

### **Lost, Stolen or Destroyed Bonds**

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

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

### **Replacement of Paying Agent/Registrar**

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

## **Issuance of Additional Debt**

The voters of the MUD Participants have approved the Master District Contract, which contract authorizes the Master District to issue contract revenue bonds in an amount not to exceed \$483,000,000 in principal amount for the purpose of constructing and acquiring all Master District Water/Sewer/Drainage Facilities and refunding of such bonds and in an amount not to exceed \$121,450,000 in principal amount for the purpose of constructing and acquiring all Master District Road Facilities and refunding of such bonds. Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount, or such \$121,450,000 authorized amount.

After the issuance of the Bonds, the Master District will have \$353,450,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Water/Sewer/Drainage Facilities and refunding of such bonds; and \$62,335,000 principal amount of Road Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Road Facilities and refunding of such bonds. The Master District Contract (except as described above), imposes no limitation on the amount of Water/Sewer/Drainage Contract Revenue Bonds the Master District may issue payable from the Water/Sewer/Drainage Contract Tax, no limitation on the amount of Road Contract Revenue Bonds the Master District may issue payable from the Road Contract Tax, and no limitation on the amount of other contract revenue bonds the Master District may issue payable from other taxes levied by the MUD Participants. See “INVESTMENT CONSIDERATIONS—Future Debt.”

The District (in its capacity as a MUD Participant) and each other MUD Participant may issue bonds for water, wastewater and drainage facilities, park/recreational facilities, and road facilities necessary to provide improvements and facilities to serve land within their respective boundaries consistent with the purposes for which the District or such other MUD Participant was created. TCEQ approval is required before the District or a MUD Participant can issue bonds for water, wastewater and drainage facilities or park/recreational facilities. TCEQ approval is not currently required for the Master District or any of the MUD Participants to issue bonds for road facilities. See “INVESTMENT CONSIDERATIONS—Future Debt” and “THE DISTRICT AND SERVICE AREA—General.”

The District and each other MUD Participant is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District or any other MUD Participant could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District or such MUD Participant; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board of Directors of the District has not considered preparing such a fire plan or calling an election to authorize firefighting activities at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

## **Dissolution**

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District’s consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. In addition, the Utility Agreement between the City and the District places certain restrictions on the City’s right to dissolve the District. See “THE MUD PARTICIPANTS – Utility Agreement with the City-Dissolution of the District.” If the District is dissolved, the City must assume the District’s assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

## **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (including cash) and liabilities (including the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

## **Remedies in Event of Default**

Upon the occurrence of an Event of Default (as defined herein), the Trustee may proceed to protect and enforce the rights of the Registered Owners of the Bonds. The Water/Sewer/Drainage Indenture provides certain limitations on the right of a Registered Owner of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an Event of Default. See “THE INDENTURE OF TRUST—Remedies—Limitation on Action by Owners.” If the District defaults, the Trustee or, if permitted, the Registered Owners could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution and the Master District Contract. Such remedy might need to be enforced on a periodic basis and may prove time-consuming, costly, and difficult to enforce. Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other

similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the property of the Master District or property within the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitation to Registered Owners' Rights" and "THE INDENTURE OF TRUST—Remedies—Limitation on Action by Owners."

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

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

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

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

### **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

## **THE INDENTURE OF TRUST**

The Water/Sewer/Drainage Contract Revenue Bonds are secured by an Indenture of Trust dated as of December 1, 2009 (the "Water/Sewer/Drainage Indenture") between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Trustee. Pursuant to the Water/Sewer/Drainage Indenture, the Master District has assigned and pledged to the Trustee all of the Master District's right, title and interest in and to the Water/Sewer/Drainage Contract Payments. Such Water/Sewer/Drainage Contract Payments, together with all amounts from time to time on deposit in the Water/Sewer/Drainage Debt Service Fund and Water/Sewer/Drainage Reserve Fund maintained by the Trustee pursuant to the Water/Sewer/Drainage Indenture, together with any other property from time to time hereafter conveyed or granted to the Trustee pursuant to the Water/Sewer/Drainage Indenture shall constitute the "Water/Sewer/Drainage Pledged Revenues" held by the Trustee under the Water/Sewer/Drainage Indenture.

Pursuant to the Water/Sewer/Drainage Indenture, the Trustee is to maintain the Water/Sewer/Drainage Debt Service Fund and Water/Sewer/Drainage Reserve Fund as trust funds to be held in trust solely for the benefit of the Registered Owners of the Water/Sewer/Drainage Contract Revenue Bonds. The Master District has covenanted in the Water/Sewer/Drainage Indenture that it will cause to be charged to each MUD Participant, for deposit into the Water/Sewer/Drainage Debt Service Fund, Water/Sewer/Drainage Contract Payments in amounts sufficient, together with other Water/Sewer/Drainage Pledged Revenues, to provide for the timely payment of all principal and interest due on the Water/Sewer/Drainage Contract Revenue Bonds. Subject to the provisions of applicable law and the Master District Contract, the Master District has covenanted in the Water/Sewer/Drainage Indenture to use its best efforts to cause to be paid by each MUD Participant all Water/Sewer/Drainage Contract Payments when due directly to the Trustee. The Water/Sewer/Drainage Debt Service Fund and the Water/Sewer/Drainage Reserve Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Water/Sewer/Drainage Reserve Fund shall be used to pay interest on and principal of the Water/Sewer/Drainage Contract Revenue Bonds when insufficient funds are available for such purpose in the Water/Sewer/Drainage Debt Service Fund or shall be applied toward the payment of principal of or interest on the Water/Sewer/Drainage Contract Revenue Bonds in connection with a refunding or redemption. The Water/Sewer/Drainage Reserve Requirement has been established in the Bond Resolution to be a sum of money equal to one-half of the maximum annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds then outstanding. Pursuant to the Bond Resolution, any funds in excess of the Water/Sewer/Drainage Reserve Requirement held in the Water/Sewer/Drainage Reserve Fund may be deposited into the Water/Sewer/Drainage Debt Service Fund, as directed by the Master District's Board of Directors.

### **Events of Default**

The Water/Sewer/Drainage Indenture provides that an Event of Default shall be either of the following occurrences:

- (a) Failure to pay when due the principal, redemption price or interest on any Water/Sewer/Drainage Contract Revenue Bond; or
- (b) Failure to deposit into the Water/Sewer/Drainage Debt Service Fund money sufficient to pay any principal of or interest on any Water/Sewer/Drainage Contract Revenue Bond no later than the date when it becomes due and payable.

## **Remedies**

The Water/Sewer/Drainage Indenture provides that if an event of default by the Master District exists, then, in addition to other rights and remedies, the Trustee, subject to the provisions of the Water/Sewer/Drainage Indenture, may proceed to protect and enforce its rights and the rights of the Registered Owners by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Water/Sewer/Drainage Indenture, the Bond Resolution or the Water/Sewer/Drainage Contract Revenue Bonds or in aid of the execution of any power granted in the Water/Sewer/Drainage Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Registered Owners, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the board of directors or other officers of the Master District or any MUD Participant to make any Water/Sewer/Drainage Contract Payment (but only from and to the extent of the sources provided in the Water/Sewer/Drainage Indenture and the Master District Contract) or to observe and perform the covenants, obligations or conditions of the Water/Sewer/Drainage Indenture or the Master District Contract relating to the Water/Sewer/Drainage Contract Revenue Bonds. The Water/Sewer/Drainage Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Water/Sewer/Drainage Contract Revenue Bonds, may act as attorney in fact for the Registered Owners of the Water/Sewer/Drainage Contract Revenue Bonds, that no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Water/Sewer/Drainage Indenture does not provide for any acceleration of maturity of the Water/Sewer/Drainage Contract Revenue Bonds or provide for the foreclosure upon any property or assets of the Master District, other than applying the Water/Sewer/Drainage Pledged Revenues in the manner provided in the Water/Sewer/Drainage Indenture.

## **Limitation on Action by Owners**

The Water/Sewer/Drainage Indenture imposes certain limitations on Registered Owners of Water/Sewer/Drainage Contract Revenue Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the Registered Owners of not less than 25% of all Water/Sewer/Drainage Contract Revenue Bonds then outstanding and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, Registered Owners of more than 50% of the aggregate principal amount of the Water/Sewer/Drainage Contract Revenue Bonds then outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Water/Sewer/Drainage Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings under the Water/Sewer/Drainage Indenture; provided, however, that such direction shall not be contrary to law or the provisions of the Water/Sewer/Drainage Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Registered Owners of the Water/Sewer/Drainage Contract Revenue Bonds not consenting.

## **Amendments to the Indenture of Trust**

Under Section 9.01 of the Water/Sewer/Drainage Indenture, the Master District and the Trustee may, without the consent of the Registered Owners of any of the Water/Sewer/Drainage Contract Revenue Bonds, enter into one or more supplemental indentures, which shall form a part of the Water/Sewer/Drainage Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or defect or omission in the Water/Sewer/Drainage Indenture, or any supplemental indenture, so long as said cure is not inconsistent with the Water/Sewer/Drainage Indenture and does not adversely affect the interests of the Registered Owners of any outstanding Water/Sewer/Drainage Contract Revenue Bonds;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Water/Sewer/Drainage Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Water/Sewer/Drainage Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Water/Sewer/Drainage Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Water/Sewer/Drainage Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Water/Sewer/Drainage Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain or provide for bond insurance for any Water/Sewer/Drainage Contract Revenue Bonds; provided, however, the Master District (at its option) may obtain or provide for bond insurance for any Water/Sewer/Drainage Contract Revenue Bonds through Bond Resolution(s) without the need for a supplemental indenture;

(f) to add to any statutory terms and conditions imposed on the City of Fulshear (or any other entity that may become the legal successor to the Master District) in connection with the assumption of the Master District's obligations under the Water/Sewer/Drainage Indenture;

(g) to create (or provide for the terms and conditions of) additional funds, and accounts or sub-accounts within any funds established by the Water/Sewer/Drainage Indenture or the bond resolutions authorizing Water/Sewer/Drainage Contract Revenue Bonds; provided, however, the Master District (at its option) may do any of same without the need for a supplemental indenture;

(h) to change or expand the purposes for which bonds can be issued under the Water/Sewer/Drainage Indenture, including (without limitation) allowing, to the extent allowed by law, for the issuance by the Master District of contract revenue bonds for regional park/recreational facilities that are on a parity with the Water/Sewer/Drainage Contract Revenue Bonds and that are equally secured by the same lien and revenues pledged in the Water/Sewer/Drainage Indenture (this subsection is referred to herein as the "Expanded Purposes Subsection");

(i) to modify any of the provisions of the Water/Sewer/Drainage Indenture or any supplemental indenture in any respect whatsoever, provided that such action shall not adversely affect the interests of the Registered Owners of any outstanding Water/Sewer/Drainage Contract Revenue Bonds; provided, however, prior to the joining in the execution of any modification of the Water/Sewer/Drainage Indenture pursuant to this subsection, the Trustee shall receive an opinion of counsel stating that such modification is authorized and permitted under the Water/Sewer/Drainage Indenture; and

(j) to obtain or provide for one or more debt service reserve fund surety policies to satisfy some or all of the Water/Sewer/Drainage Reserve Requirement.

Except as provided in the preceding paragraph, any modification, change or amendment of the Water/Sewer/Drainage Indenture may be made only by a supplemental indenture adopted and executed by the Master District and the Trustee with the consent of the Registered Owners of not less than a majority of the aggregate principal amount of the Water/Sewer/Drainage Contract Revenue Bonds then outstanding. However, without the consent of the Registered Owner of each outstanding Water/Sewer/Drainage Contract Revenue Bond, no modification, change or amendment to the Water/Sewer/Drainage Indenture shall:

(1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, or deprive such Registered Owner of the lien imposed by the Water/Sewer/Drainage Indenture on the revenues pledged in the Water/Sewer/Drainage Indenture; or

(2) change or amend the Water/Sewer/Drainage Indenture (except as provided in the Expanded Purposes Subsection of the Water/Sewer/Drainage Indenture, as discussed above under "Amendments to the Indenture of Trust") to permit the creation of any lien on the revenues pledged in the Water/Sewer/Drainage Indenture equal or prior to the lien imposed by the Water/Sewer/Drainage Indenture.

### **Contract Revenue Bonds Other Than Water/Sewer/Drainage Contract Revenue Bonds**

The Master District has the right under the Water/Sewer/Drainage Indenture to issue Road Contract Revenue Bonds pursuant to an Indenture of Trust dated as of August 1, 2012 between the Master District and The Bank of New York Mellon Trust Company, N.A., ("Road Indenture") and to require the MUD Participants to make payment for same as provided for in the Master District Contract. The lien and revenues pledged by the Water/Sewer/Drainage Indenture do not include: (i) any payments to be made to the Master District by the MUD Participants pursuant to the Road Indenture, and (ii) any payments, including the Road Contract Payments, to be made to the Master District by the MUD Participants to pay for Road Contract Revenue Bonds. In addition, if then authorized by the Master District Contract, the Water/Sewer/Drainage Indenture allows the Master District to issue contract revenue bonds to fund Master District Park Facilities and, in such event, the lien and revenues pledged by the Water/Sewer/Drainage Indenture do not include MUD Participant payments to the Master District for such contract revenue bonds, unless the Water/Sewer/Drainage Indenture is amended to include the issuance of contract revenue bonds for Master District Park Facilities. See "THE INDENTURE OF TRUST – Amendments to the Indenture of Trust."

### **Removal or Resignation of Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Registered Owners of a majority in principal amount of the Water/Sewer/Drainage Contract Revenue Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the Registered Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first class mail, postage prepaid to each Registered Owner of Water/Sewer/Drainage Contract Revenue Bonds. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

#### **Appointment of Successor Trustee**

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting under the Water/Sewer/Drainage Indenture, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Registered Owners of a majority in principal amount of the Water/Sewer/Drainage Contract Revenue Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such Registered Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Master District; provided, however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Registered Owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Registered Owners. The Master District shall provide written notice to the Registered Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided for providing notice of the resignation of the Trustee as described above under "Removal or Resignation of Trustee." Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Registered Owners or by the Master District pursuant to the foregoing provisions at the time a vacancy in the office of the Trustee shall have occurred, the Registered Owner of any Water/Sewer/Drainage Contract Revenue Bond issued hereunder or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

#### **Merger, Conversion or Consolidation of Trustee**

Notwithstanding any provision of the Water/Sewer/Drainage Indenture to the contrary, any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, shall be the successor Trustee under the Water/Sewer/Drainage Indenture without the execution or filing of any instrument or any other act on the part of the Trustee or the Master District.



## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer"). Proceeds from the sale of the Bonds will be used to (i) retire the 2020 Bond Anticipation Note, the proceeds of which were used to pay for bond anticipation note issuance costs and a portion of the construction costs listed below, (ii) pay for the remaining construction costs associated with the items shown below, and (iii) pay certain non-construction costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

### CONSTRUCTION COSTS

Linear Detention Pond Along Western Property Line South of Morgans Spur	\$1,090,106
Bonterra at Cross Creek Ranch Detention/Reservoir Lake Expansion (F2F-2 Phase 2)	2,288,820
West Cross Creek Bend Lane Extension No. 5 (Water and Non-Potable Water Facilities)	504,707
Linear Detention North of Morgans Spur	330,381
Creek Trace at Cross Creek Ranch Section Three (Non-potable Water Facilities)	16,506
Bonterra at Cross Creek Ranch Detention/Reservoir Lake Expansion (F2F-3A and F2F-3B)	3,083,434
Cross Creek Ranch Irrigation Pump Station No. 4	1,203,915
Morgans Spur Drive Extension No. 1 (Water and Non-potable Water Facilities)	172,913
Morgans Spur Drive Extension No. 2 (Water and Non-potable Water Facilities)	190,844
Golden Manor Drive Extension (Non-potable Water Facilities)	45,978
Cross Creek Ranch Lift Station No. 2 and Force Main Phase 2	1,136,079
Engineering & Advertising	1,189,673
Geotechnical Report & Materials Testing	200,454
Update to CCR Drainage Study	22,493
SWPPP Management	48,082
Land Costs	2,634,692
<b>Total Construction Costs</b>	<b>\$14,159,077</b>
Less Surplus Construction Funds	<u>(2,860,000)</u>
<b>Total Construction Costs</b>	<b><u>\$11,299,077</u></b>

### NON- CONSTRUCTION COSTS

Legal Fees	\$310,000
Financial Advisor Fees	213,750
Interest	
Developer Interest	407,007
BAN Interest (estimated @ 3.00% for 12 months)	146,250
Debt Service Reserve Fund (a) (b)	324,393
Bond Discount (b)	393,541
Bond Issuance Expenses	65,730
TCEQ Bond Issuance Fee (0.25% of BIR)	33,750
Bond Anticipation Note Issuance Expenses	128,825
Bond Application Report Cost	65,000
Attorney General Fee	9,500
Contingency (b)	103,176
<b>Total Non-Construction Costs</b>	<b><u>\$2,200,923</u></b>
<b>TOTAL BOND ISSUANCE REQUIREMENT</b>	<b><u><u>\$13,500,000</u></u></b>

- (a) The deposit to the Water/Sewer/Drainage Reserve Fund is based on the actual amount needed to satisfy the Water/Sewer/Drainage Reserve Requirement associated with the issuance of the Bonds.
- (b) Contingency represents the difference between the estimated and actual bond discount and the difference between the estimated amount to be deposited in the Water/Sewer/Drainage Reserve Fund to satisfy the Water/Sewer/Drainage Reserve Requirement and actual and can be used for purposes allowed, in accordance with the rules of the TCEQ.

## THE MUD PARTICIPANTS

### **Creation, Authority and Description**

All MUD Participants (including the District) were created by the Texas Commission on Environmental Quality (the "TCEQ") as municipal utility districts. Each MUD Participant has the power to construct, operate and finance water, sanitary sewer, drainage, park/recreational facilities and arterial, collector and thoroughfare road facilities pursuant to Chapter 49 and 54 of the Texas Water Code, as amended. Each MUD Participant may issue bonds, with the authorization of its board of directors and (if payable from taxes) its voters, to acquire and maintain water, sanitary sewer, and drainage, and park/recreational facilities, and arterial, collector and thoroughfare road facilities, to serve the land within its boundaries. Issuance of bonds for water, sanitary sewer and drainage and park and recreational facilities requires the approval of the TCEQ; issuance of road bonds does not require approval of the TCEQ. Each MUD Participant may also establish, operate, and maintain a fire department or contract for firefighting services, if the TCEQ and its voters approve a plan for that purpose.

### **Authorized Bonds**

Voters in the District, and voters in each of the other MUD Participants have each approved the authorization of unlimited tax bonds for purposes of providing water distribution, wastewater collection and storm drainage facilities, parks/recreational facilities and road facilities to serve land within their boundaries.

The District, in its capacity as a MUD Participant has not issued bonds to date. MUD 173 has issued four series of unlimited tax bonds in the aggregate amount of \$22,450,000. MUD 170 has issued five series of unlimited tax bonds in the aggregate amount of \$15,535,000 and has sold its Unlimited Tax Bonds, Series 2020 which are scheduled to close on November 10, 2020. MUD 170 anticipates issuing a series of bonds in the approximate amount of \$3,000,000 in November 2020. MUD 171 has issued five series of unlimited tax bonds in the aggregate amount of \$15,970,000 and two series of refunding bonds in the aggregate amount of \$10,585,000 and expects to issue a series of refunding bonds in the approximate amount of \$1,460,000 in November, 2020. MUD 172 has issued six series of unlimited tax bonds in the aggregate amount of \$33,265,000 and anticipates issuing a series of bonds in the approximate amount of \$1,480,000 in December 2020. See "APPENDIX A" for a description of the voter authorized bonds for each MUD Participant.

### **Utility Agreement with the City**

The District operates pursuant to a Utility Agreement between the City and the District dated as of December 18, 2007, as amended (the "Utility Agreement"). The Utility Agreement provides that it is in effect from December 18, 2007 and continues for a term of 30 years from the year after the year the District issues unlimited tax bonds unless otherwise previously terminated pursuant to some term or condition of the Utility Agreement. The Utility Agreement provides that the District, in addition to providing water, wastewater and drainage facilities to serve the land within its boundaries, will act as the coordinating entity for regional water, sewer, drainage, roads, and park and recreational facilities to serve the Service Area and will operate as the Master District. Pursuant to the Utility Agreement, the District agreed to acquire and construct, for ultimate conveyance to the City, certain Master District Facilities and internal water, wastewater and drainage facilities (collectively, the "District Utility Facilities") and the City has agreed to make annual payments (as described herein) to the District in consideration of the District constructing the District's internal water, wastewater and drainage facilities (except detention ponds, drainage channels, and non-potable water facilities) on behalf of the City. Each MUD Participant has a similar utility agreement with the City providing that each MUD Participant's internal water, wastewater, and drainage facilities (except detention ponds, drainage channels, and non-potable water facilities) will be conveyed to the City for ownership and operation by the City and the City will make annual payments to the MUD Participant in consideration of the MUD Participant's constructing such internal facilities on behalf of the City.

**The Facilities:** The Utility Agreement provides that the District Utility Facilities shall be designed and constructed in accordance with the City's requirements and criteria. In its capacity as Master District, the District will construct a regional wastewater treatment plant to serve the Service Area, including the District. The District is authorized to construct 500,000 gallons per day of interim wastewater treatment plant capacity, and all additional capacity is required to be provided by permanent plant facilities. The District will also construct such water supply and detention and drainage facilities as it deems appropriate to serve the Service Area. See "THE SYSTEM."

**Authority of District to Issue Bonds:** The District has the authority to issue, sell, and deliver bonds as permitted by law and the City's Consent Resolution. Bonds issued by the District are obligations solely of the District and shall not be construed to be obligations or indebtedness of the City.

**Ownership, Operation, and Maintenance of the Utility Facilities:** Upon completion of construction of the District Utility Facilities, the District agrees to convey such facilities to the City, reserving for itself a security interest in such facilities for the purpose of securing the performance of the City under the Utility Agreement. When all bonds issued by the District to acquire and construct the applicable District Utility Facilities have been paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the District Utility Facilities without such encumbrance. As each phase of the District Utility Facilities is completed, the City agrees to inspect the same and upon approval, will accept the District Utility Facilities for operation and maintenance. From then on, the District Utility Facilities shall be operated and maintained by the City at its sole cost and expense. To date, the only District Utility Facilities that the District has conveyed to the City are Master District Facilities since no development or construction of water, sewer or drainage facilities internal to the District has occurred. Initially the City will operate the District Utility Facilities by contracting with a qualified third-party company, and at such time as the land within the MUD Participants has more than 3,000 connections, the City is authorized by the Utility Agreement to independently operate the District Utility Facilities. Although the Service Area now has over 3,000 connections, the City has not begun independently operating the District Utility Facilities. The City currently uses Inframark, Inc. to operate the District Utility Facilities and the water and sewer facilities of the other MUD Participants. Detention pond and drainage ditch facilities, as well as park/recreational facilities and non-potable water facilities, constructed by the District that serve the Service Area are not conveyed to the City and the District, as the Master District is responsible for operation and maintenance thereof.

The Utility Agreement provides that the City shall fix rates and charges for customers of the District Utility Facilities for services afforded by the District Utility Facilities, provided that such rates and charges will not exceed the rates charged other users within the City. Other than water and sewer rates and tap fees, the City may not impose any additional fee or charge (including a capital recovery fee or impact fee) on users of the District Utility Facilities. The District is not entitled to any water and sewer charges, tap fees, or any other revenue from the District Utility Facilities, as all of same belongs exclusively to the City.

**Annual Payment:** The City agrees to pay to the District the Annual Payment (as herein defined) on February 28<sup>th</sup> of each year following the year the District, in its capacity as a Participant District, issues its first series of unlimited tax bonds and shall continue for 30 years from the year after the year the District first issues unlimited tax bonds; provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer has debt service on the unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities described below. Because it is unknown when the District will develop internally and therefore issue unlimited tax bonds, it is also unknown when the District will start to receive the Annual Payment. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District's internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District's contractual obligation to pay a portion of the debt service on Contract Revenue Bonds issued by the Master District to finance regional facilities. The Utility Agreement does not require the District to pledge the Annual Payment for payment of the debt service on the District's unlimited tax bonds. Therefore, the Annual Payment is subject to modification by agreement of the District and the City.

The Annual Payment shall be calculated by the City annually. The Annual Payment is equal to a percentage (the "Percentage"), initially 0.062510%, times the taxable assessed value for all property within the District on the City's tax rolls (the "Annual Payment"). The Percentage shall be adjusted based on the City's tax rate, as follows: in the event the City's ad valorem tax is (i) equal to or greater than \$0.22 per \$100 of assessed value, but less than \$0.24 per \$100 of assessed value, then the Percentage shall be 0.07%, (ii) equal to or greater than \$0.24 per \$100 of assessed value but less than \$0.26 per \$100 of assessed value, then the Percentage shall be 0.08%, (iii) equal to or greater than \$0.26 per \$100 of assessed value but less than \$0.28 per \$100 of assessed value, then the Percentage shall be 0.09%, (iv) equal to or greater than \$0.28 per \$100 of assessed value but less than \$0.30 per \$100 of assessed value, then the Percentage shall be 0.10%, or (v) equal to or greater than \$0.30 per \$100 of assessed value, then the Percentage shall be 0.11%.

**Dissolution of the District:** The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. The Utility Agreement provides, however, that the District shall not be abolished (1) until the developers have fully developed 90% of their developable acreage within the District; (2) the remaining 10% developable acreage owned by the developers has had water, sewer and drainage facilities necessary to serve the area installed; and (3) the developers have been fully reimbursed by the District, in accordance with TCEQ rules for all of the developers' eligible development and construction costs.

### **Debt Service Tax**

Each of the MUD Participants, including the District, has the statutory authority to issue unlimited tax bonds for the purpose of providing water distribution, wastewater collection and storm drainage facilities, road facilities, and park/recreational facilities to serve the land within its boundaries. To the extent MUD Participants issue such bonds, the bonds are secured by a continuing, annual unlimited ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the Water/Sewer/Drainage Contract Tax and the Road Contract Tax. See "THE MUD PARTICIPANTS—Authorized Bonds" and "APPENDIX A" for a description of the voter authorized bonds for each MUD Participant.

## **Contract Tax**

The District as the Master District has the authority to issue Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds pursuant to the Master District Contract. The pro rata share of the debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds for each MUD Participant, including the District, shall be determined by dividing each MUD Participant's gross certified assessed value by the total of all of the MUD Participants' gross certified assessed valuation. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds from the proceeds of an annual unlimited Water/Sewer/Drainage Contract Tax, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Road Contract Revenue Bonds from the proceeds of an annual unlimited Road Contract Tax, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. Since the water distribution and wastewater collection systems of each MUD Participant, including the District, are expected to be conveyed to the City, it is not expected that the MUD Participants will have any revenues from such systems and it is expected that all of such system revenues will belong to the City. The debt service requirement shall include principal, interest and redemption requirements on the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds, charges and expenses of paying agents/registrars and trustees, and all amounts necessary to establish and maintain funds established under the resolution(s) or indenture(s) of trust pursuant to which the Master District's Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds are issued. Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on Road Contract Revenue Bonds; or (ii) fund or maintain the Road Fund.

## **Maintenance Taxes**

Each of the MUD Participants, including the District, has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of water distribution, wastewater collection, storm drainage facilities, road facilities and park/recreational facilities to serve land within its boundaries. Such a maintenance tax has been authorized by each MUD Participant's voters. A maintenance tax is in addition to: (i) taxes which the MUD Participant is authorized to levy for paying principal of and interest on its unlimited tax bonds, (ii) the Water/Sewer/Drainage Contract Tax, and the (iii) the Road Contract Tax.

## **Management**

Each MUD Participant is governed by a board of directors, consisting of five (5) members, which has control and management of all affairs of such MUD Participant. Unless all candidates are unopposed, a directors election will be held within the boundaries of each MUD Participant in May in even-numbered years. Directors are elected to serve four-year staggered terms. All directors must reside or own property within the MUD Participant on whose board they serve. None of the MUD Participants has any employees. Each MUD Participant contracts for all services required to maintain its operations. The TCEQ exercises continuing supervisory jurisdiction over each MUD Participant, and construction by each MUD Participant of water, wastewater and storm drainage facilities. Construction of any road facilities is subject to regulation by other government entities.

## **Financial Data**

For more information on each MUD Participant, including historical tax rates, see "APPENDIX A."

## **Enlargement of Service Area/Future MUD Participants**

The Master District has contracted with MUD Participants covering the Service Area. The Service Area currently includes approximately 3,293 acres. The Service Area may only be enlarged upon the approval of two-thirds (2/3) of all MUD Participants. Such an enlargement of the Service Area may occur by a MUD Participant annexing additional land into its boundaries or by the Master District contracting with participant(s) other than the MUD Participants. Any contract with a participant outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities is subject to the terms and conditions of the Master District Contract and must not impair the right of the existing MUD Participants to receive services from the Master District, which are established under the Master District Contract for the number of connections reserved to the MUD Participant, except with the consent of the MUD Participants. The Master District agrees that it will only contract with participants other than the MUD Participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract. In February 2011, Fort Bend County Municipal Utility District No. 173 annexed approximately 71 acres of land adjacent to Cross Creek Ranch originally owned by Landmark Industries Inc., and via amendment to the Master Contract, all MUD Participants agreed to enlarge the Service Area to include such approximate 71 acres. In December 2016, MUD 171 annexed approximately 23 acres of land adjacent to Cross Creek Ranch owned by the Archbishop of Galveston-Houston and via amendment to the Master District Contract, all MUD Participants agreed to enlarge the Service Area to include such approximate 23 acres.

## MASTER DISTRICT CONTRACT

The Master District provides the regional water, sanitary sewer, drainage, park/recreational and road facilities (collectively, the “Master District Facilities”) necessary to serve the Service Area. By execution of the “Contract for Financing, Operation, and Maintenance of Regional Facilities”, as amended (the “Master District Contract”), each of the MUD Participants agrees that the Master District will construct Master District Facilities. In addition, each MUD Participant will be obligated to make contract payments equal to its pro rata share of annual debt service (i) on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Water/Sewer/Drainage Reserve Fund established under the bond resolutions for Water/Sewer/Drainage Contract Revenue Bonds or the Water/Sewer/Drainage Indenture based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants (“Water/Sewer/Drainage Contract Payment(s)”); and (ii) on the Road Contract Revenue Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Road Reserve Fund established under the bond resolutions for Road Contract Revenue Bonds or Road Indenture based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants (the “Road Contract Payment(s)”). The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District Facilities will be financed pursuant to the Master District Contract. The Master District is authorized to issue contract revenue bonds in the principal amount of \$483,000,000 for acquiring and constructing regional water, sewer and drainage facilities (and for the purpose of refunding such bonds), and \$121,450,000 principal amount for acquiring and constructing arterial, collector or thoroughfare roads and improvements in aid thereof (and for the purpose of refunding such bonds). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount, or such \$121,450,000 authorized amount. After issuance of the Bonds, the Master District will be authorized under the Master District Contract to issue an additional \$353,450,000 of Water/Sewer/Drainage Contract Revenue Bonds and an additional \$62,335,000 of Road Contract Revenue Bonds. Each MUD Participant's pro rata share of the debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds is determined annually by dividing the MUD Participant's certified gross appraised value by the cumulative total of the certified gross appraised values of all the MUD Participants. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the “Water/Sewer/Drainage Contract Tax”), revenues, if any, derived from the operation of the MUD Participant's water distribution and wastewater collection system or from any other legally available funds of the District. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Road Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the “Road Contract Tax”), revenues, if any, derived from the operation of the MUD Participant's water distribution and wastewater collection system or from any other legally available funds of the District. See “INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes,” and “TAX DATA—Contract Tax.” Since each MUD Participant’s water distribution and wastewater collection system is required to be conveyed to the City pursuant to the utility agreement between the MUD Participant and the City, it is not expected that any MUD Participant will have any revenues from such system. All of such system revenues belong to the City. See “THE MUD PARTICIPANTS —Utility Agreement with the City.”

Each MUD Participant will be obligated severally, but not jointly, to make Water/Sewer/Drainage Contract Payments to the Master District in an amount sufficient to pay its pro rata share of the annual debt service requirements on Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District and to make Road Contract Payments to the Master District in an amount sufficient to pay its pro rata share of the annual debt service requirements on Road Contract Revenue Bonds issued by the Master District. No MUD Participant is obligated, contingently or otherwise, to make any Water/Sewer/Drainage Contract Payments or Road Contract Payments owed by any other MUD Participant; however, lack of payment, as required by the Master District Contract, of Water/Sewer/Drainage Contract Payments by any MUD Participant could result in an increase in the Water/Sewer/Drainage Contract Payment amount paid by each of the other MUD Participants and lack of payment of Road Contract Payments by any MUD Participant could result in an increase in the Road Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant’s payment is delinquent.

The Master District Contract originally authorized the Master District to pay the capital costs of designing and constructing the regional park/recreational facilities ("Master District Park Facilities") through either: (1) issuance of contract revenue bonds in a principal amount not to exceed \$237,440,000 to pay for Master District Park Facilities and refund bonds issued for Master District Park Facilities, all of which bonds would be payable from and secured by the MUD Participants' unconditional obligation to make payments to the Master District from the proceeds of ad valorem taxes levied by the MUD Participants, or (2) park construction charges ("Park Construction Charges") imposed by the Master District on each MUD Participant based on the number of connections reserved by a MUD Participant. In January, 2012, each MUD Participant executed an amendment to the Master District Contract providing that the Master District will fund Master District Park Facilities through such Park Construction Charges to be paid by each MUD Participant (including the District in its capacity as a MUD Participant). Accordingly, the Master District is not authorized to issue any of said \$237,440,000 for contract revenue bonds to fund Master District Park Facilities unless the Master District Contract is amended by the MUD Participants in the future to allow it to do so. The Master District Contract provides that the Master District will compute Park Construction Charges on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Construction Charges which have been previously paid to the Master District, and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Construction Charges have been previously paid to the Master District. Each MUD Participant may issue bonds, or use other legally available funds, to pay for Park Construction Charges. In no event will a MUD Participant owe an amount for Park Construction Charges (whether paid by bond proceeds of the MUD Participant or other available funds) that exceeds any legal limit that would apply if the MUD Participant were to fund its obligation to pay for Park Construction Charges solely through the issuance of bonds. Under Section 49.4645 of the Water Code, the outstanding principal amount of bonds issued by any MUD Participant to finance park/recreational facilities payable from any source may not exceed an amount equal to one percent of the value of the taxable property in that district. Park Construction Charges are generally due from each MUD Participant to the Master District at the time a MUD Participant reserves capacity in the Master District Facilities; however, no Park Construction Charges are due until a MUD Participant's certified taxable value exceeds \$100,000,000. The Master District Contract allows the Master District to delay the due date for Park Construction Charges from a MUD Participant until such time as that MUD Participant has sufficient bond funds available to pay same. The Master District may refuse to allow a MUD Participant to receive additional connections in the Master District Facilities if the MUD Participant fails to pay the Master District the Park Construction Charges. For the purpose of funding Park Construction Charges, the Master District may require that each MUD Participant file one or more bond applications with the TCEQ no later than the date that 75% of the above-ground improvements within the MUD Participant have been constructed or are under construction. Fort Bend County Municipal Utility District No. 171 has issued \$1,600,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District and paid the Master District for additional Park Construction Charges in 2016 using surplus bond proceeds and operating funds. Fort Bend County Municipal Utility District No. 172 has issued \$4,900,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District. Fort Bend County Municipal Utility District No. 170 has issued \$1,335,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District.

The Master District Facilities will be constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations under the Master District Contract to provide Master District Water/Sewer/Drainage Facilities, each of the other MUD Participants has the right pursuant to the Master District Contract to design, acquire, construct, or expand such regional facilities needed to provide service to such MUD Participants, and convey such facilities to the Master District in consideration of payment by the Master District of the actual reasonable and necessary capital costs expended by such MUD Participant for such facilities.

Each MUD Participant is further obligated to pay monthly charges for its share of the Master District's operation and maintenance expense in connection with the Master District's provision of service from regional park/recreational, detention pond, and drainage ditch facilities and service from any regional water, sanitary sewer, storm sewer, or road facilities that are not being fully operated or maintained by the City. The monthly charges will be used to pay the MUD Participant's share of Master District operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. The MUD Participant's share of operation and maintenance expenses and reserve requirements is based upon a unit cost of operation and maintenance expense and reserve requirements, calculated and expressed in terms of cost per equivalent single-family residential connection. The MUD Participant's monthly payment for operation and maintenance expenses is calculated by multiplying the number of equivalent single-family residential connections reserved to the MUD Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection.

Pursuant to the Master District Contract, each MUD Participant is obligated to levy and collect the Water/Sewer/Drainage Contract Tax and Road Contract Tax, together with taxes levied and funds received from any other lawful sources, in amounts that are sufficient at all times to pay the MUD Participant's obligations pursuant to the Master District Contract, including the MUD Participant's pro rata share of the Master District's annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds, the Road Contract Revenue Bonds and monthly charges. All sums payable by each MUD Participant pursuant to the Master District Contract are to be paid by the MUD Participant without set off, counterclaim, abatement, suspension or diminution.

## **THE DISTRICT AND THE SERVICE AREA**

### **General**

The Master District is a municipal utility district created by the TCEQ on August 21, 2007. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, including Article XVI, Section 59 of the Texas Constitution, Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The Master District is empowered, among other things, to purchase and construct all works, improvements, facilities and plants necessary to be the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities. The Master District will operate and maintain those facilities that are not conveyed to the City for operation (including park/recreational facilities, detention pond and drainage ditch facilities, and non-potable water facilities).

The TCEQ exercises continuing supervisory jurisdiction over the MUD Participants, including the Master District. The Master District, pursuant to the City resolution consenting to the creation of the District (the “City’s Consent Resolution”) is required to observe certain requirements of the City which (1) limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park/recreational, road, and fire-fighting facilities, and for refunding purposes, (2) limit the net effective interest rate on such bonds and other terms of such bonds, (3) require approval by the City of District construction plans (except for park/recreational facilities), and (4) permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City. Construction and operation of facilities constructed by the District is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM—Regulation.”

### **Description and Location**

The District in its capacity as a MUD Participant encompasses approximately 321 acres of land. The Master District Contract provides that the District, in its capacity as Master District, has a Service Area of approximately 3,293 acres, which is comprised of the land within the District, MUD 170, MUD 171, MUD 172 and MUD 173. The Master District and its Service Area are located approximately 31 miles west of the central downtown business district of the City of Houston. The District and Service Area are located within Fort Bend County. The Service Area lies wholly within the corporate boundaries of the City and within the boundaries of either the Katy Independent School District or Lamar Consolidated Independent School District. Access to the Service Area is currently provided by Interstate Highway 10 west or U.S. Highway 59 south to Texas State Highway 99 (the “Grand Parkway”), a limited access state highway, and the Westpark Tollway.

**Land Use**

The Service Area currently includes approximately 1,869 developed acres of single-family residential development (5,103 lots), approximately 762 acres that are currently considered not developable (greenbelts, public rights-of-way, detention, open spaces, easements, parks and utility sites), and approximately 333 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the Service Area as of September 29, 2020.

<u>Single Family Residential</u>	Approximate Acres	Lots/ESFCs	<u>Single Family Residential</u>	Approximate Acres	Lots/ESFCs
<b><u>Fort Bend MUD No. 171</u></b>			<b><u>Fort Bend MUD No. 172 (continued)</u></b>		
Creekside at Cross Creek Ranch Section 1	25	75	Creek Cove at Cross Creek Ranch Section 14	33	77
Creekside at Cross Creek Ranch Section 2	26	88	Creek Cove at Cross Creek Ranch Section 15	22	51
Creekside at Cross Creek Ranch Section 3	13	25	Creek Cove at Cross Creek Ranch Section 16	39	109
Creekside at Cross Creek Ranch Section 4	22	76	Legacy at Cross Creek Ranch Section 3	54	60
Creekside at Cross Creek Ranch Section 5	19	45	Legacy at Cross Creek Ranch Section 4	29	61
Creekside at Cross Creek Ranch Section 6	24	48	<b><u>Fort Bend MUD No. 173</u></b>		
Creekside at Cross Creek Ranch Section 7	20	62	Creek Falls at Cross Creek Ranch Section 1	23	76
Creekside at Cross Creek Ranch Section 8	36	97	Creek Falls at Cross Creek Ranch Section 2	14	49
Creekside at Cross Creek Ranch Section 9	17	53	Creek Falls at Cross Creek Ranch Section 3	12	47
Creekside at Cross Creek Ranch Section 10	16	36	Creek Falls at Cross Creek Ranch Section 4	24	74
Creekside at Cross Creek Ranch Section 11	22	66	Creek Falls at Cross Creek Ranch Section 5	14	46
Lakeside at Cross Creek Ranch	27	35	Creek Falls at Cross Creek Ranch Section 6	15	60
Legacy at Cross Creek Ranch Section 1	37	85	Creek Falls at Cross Creek Ranch Section 7	10	48
Legacy at Cross Creek Ranch Section 2	34	98	Creek Falls at Cross Creek Ranch Section 8	26	104
The Cove at Cross Creek Ranch	7	10	Creek Falls at Cross Creek Ranch Section 9	22	83
<b><u>Fort Bend MUD No. 170</u></b>			Creek Falls at Cross Creek Ranch Section 10	21	74
Lakes of Cross Creek Ranch Section 1	27	67	Creek Falls at Cross Creek Ranch Section 11	15	69
Lakes of Cross Creek Ranch Section 2	26	37	Creek Falls at Cross Creek Ranch Section 12	13	54
Lakes of Cross Creek Ranch Section 3	13	34	Creek Cove at Cross Creek Ranch Section 7	27	69
The Pond at Cross Creek Ranch	21	68	Creek Cove at Cross Creek Ranch Section 10	48	88
Bonterra at Cross Creek Ranch Section 1	18	8	Creek Cove at Cross Creek Ranch Section 11	24	65
Bonterra at Cross Creek Ranch Section 2	13	57	<b>Total Single Family</b>	1869	5103
Bonterra at Cross Creek Ranch Section 3	11	37	<b><u>Commercial and Other Development</u></b>		
Bonterra at Cross Creek Ranch Section 4	21	83	<b><u>Fort Bend MUD No. 173</u></b>		
Bonterra at Cross Creek Ranch Section 5	12	53	Convenience Store and Fast Food Restaurant	6	22
Bonterra at Cross Creek Ranch Section 6	22	41	Shops at Cross Creek Ranch	4	35
Bonterra at Cross Creek Ranch Section 7	25	87	Shops at Cross Creek Ranch Phase 2	5	32
Bonterra at Cross Creek Ranch Section 8	11	45	Market at CCR Parcel A	5	69
Creek Trace at Cross Creek Ranch Section 1	20	73	Christian Brothers Automotive	1	3
Creek Trace at Cross Creek Ranch Section 2 (a)	15	59	KISD Middle and High Schools	111	103
Creek Trace at Cross Creek Ranch Section 3 (a)	36	122	HEB Grocery Store	14	82
Creek Trace at Cross Creek Ranch Section 4	24	75	Fast Food Restaurant and Bank	6	27
Creek Trace at Cross Creek Ranch Section 5	28	72	Market at Cross Creek Ranch Phase III (a)	11	29
Creek Trace at Cross Creek Ranch Section 6	26	105	Apartments	22	156
The Brooks at Cross Creek Ranch Section 1	30	106	KISD Elementary School	14	29
The Brooks at Cross Creek Ranch Section 2	10	39	Icon Bank	2	8
The Brooks at Cross Creek Ranch Section 3	48	146	Advanced Autoparts	1	3
Willows at Cross Creek Ranch Section 1	9	74	FM 1463 Retail at CCR	5	34 <sup>1</sup>
Willows at Cross Creek Ranch Section 2	13	62	Grow Your Storage	3	15
<b><u>Fort Bend MUD No. 172</u></b>			Day Care (Deboben)	2	8
Creekbend at Cross Creek Ranch Section 1	22	53	<b><u>Fort Bend MUD No. 172</u></b>		
Creekbend at Cross Creek Ranch Section 2	17	60	KISD Elementary School No. 37	14	29
Creekbend at Cross Creek Ranch Section 3	13	36	CVS Pharmacy	2	3
Creekbend at Cross Creek Ranch Section 4	15	62	Day Care (Children's Lighthouse)	2	9
Creekbend at Cross Creek Ranch Section 5	15	57	Shopping Center (Patton Tract 1)	2	24
Creekbend at Cross Creek Ranch Section 6	15	44	Veterinary Clinic (Southpaw)	1	14
Creekbend at Cross Creek Ranch Section 7	33	63	Shopping Center (Patton Tract 2)	2	20
Creekbend at Cross Creek Ranch Section 8	14	45	Cross Creek Office Complex	3	34
Creekbend at Cross Creek Ranch Section 9	12	38	Grocery, Shopping Center and car wash	10	58
Creekbend at Cross Creek Ranch Section 10	19	74	<b><u>Fort Bend MUD No. 171</u></b>		
Creekbend at Cross Creek Ranch Section 11	28	60	Saint Faustina Catholic Church	33	29
Creekbend at Cross Creek Ranch Section 12	21	66	Ivy Kids Day Care (a)	2	7
Creekbend at Cross Creek Ranch Section 13	19	60	Senior Independent Living Facility (a)	8	81
Creek Cove at Cross Creek Ranch Section 1	46	68	<b><u>Fort Bend MUD No. 170</u></b>		
Creek Cove at Cross Creek Ranch Section 2	38	54	Brazos Valley Schools Credit Union (a)	2	2
Creek Cove at Cross Creek Ranch Section 3	38	54	Marcel Town Center	11	56
Creek Cove at Cross Creek Ranch Section 4	28	56	Cross Creek Ranch II Apartments (a)	15	112
Creek Cove at Cross Creek Ranch Section 5	33	56	<b>Total ESFCs Commercial and Other</b>	319	1133
Creek Cove at Cross Creek Ranch Section 6	45	61	Subtotal	2188	6236
Creek Cove at Cross Creek Ranch Section 8	23	50	Welcome Center	7	----
Creek Cove at Cross Creek Ranch Section 9	25	56	Bonterra Recreation Center	4	----
Creek Cove at Cross Creek Ranch Section 12	22	45	Potential Future Development	373	----
Creek Cove at Cross Creek Ranch Section 13	19	72	Non-developable (b)	762	----
			<b>Total</b>	3334	6236

(a) Water, sewer and drainage facilities are under construction.  
 (b) Includes public rights-of-way, detention, open spaces, easements, parks and utility sites.



**Status of Development**

Development in the Service Area currently consists of the residential development within MUD 170, MUD 171, MUD 172, and MUD 173. Homes within the Service Area range in price from approximately \$250,000 to over \$1,000,000. As of September 29, 2020, there were 1,869 acres developed into 5,103 single-family lots (181 of which are under construction on approximately 51 acres), which includes 4,081 occupied completed homes in the Service Area, 82 unoccupied completed homes, 32 of which are model homes, 130 homes under construction (43 homes are not under contract for purchase and 87 homes are under contract for purchase), 629 developed lots available for home construction and 181 lots on approximately 51 acres currently under construction.

The Saint Faustina Catholic Church has been constructed on approximately 33 acres of land in MUD 171 and is exempt from the payment of property taxes. A Welcome Center, which includes the Cross Creek Fitness Center, the Adventure Island Water Park, Italian Maid Cafe and a 70-foot observation tower, has been constructed on approximately 7 acres of land in MUD 171. An Ivy Kids Day Care has been constructed on approximately 2 acres in MUD 171. A CVS Pharmacy, the Children’s Lighthouse Daycare facility, three shopping centers, the Cross Creek Office Complex, an Aldi’s Grocery, and a veterinary clinic have been constructed in MUD 172 on approximately 22 acres of land. An elementary school has been constructed on approximately 14 acres of land also in MUD 172 and is exempt from the payment of property taxes. The Market at Cross Creek Ranch, McDonald’s Restaurant and Shell Gas Station convenience store, Christian Brothers Automotive, a Sonic restaurant, 2 banks and the Shops at Cross Creek Ranch Phases 1 and 2 have been constructed in MUD 173 on approximately 38 acres of land. A HEB Grocery Store has been constructed on a 14 acre tract of land in MUD 173. There has also been a self storage facility constructed on approximately 2.5 acres of land in MUD 173. The Parklane Fulshear Apartments (390 units) have been constructed on a 22 acre tract of land in MUD 173. An elementary school has been constructed on a 14 acre tract in MUD 173. The school is exempt from the payment of property taxes. A middle school and a high school have been constructed in MUD 173 on approximately 111 acres owned by Katy Independent School District and are exempt from the payment of property taxes. The Marcel Town Center, a shopping center, has been constructed on approximately 11 acres in MUD 170. The Bonterra Recreation Center has also been constructed on approximately 4 acres in MUD 170.

In addition, there are approximately 333 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 762 acres that are currently considered as not developable. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots,” “THE DISTRICT AND THE SERVICE AREA—Land Use” and “APPENDIX A.”

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by a Board of Directors consisting of five (5) directors which has control over and management supervision of all affairs of the District, including responsibilities related to the District in its capacity as a MUD Participant and as Master District. Directors are elected to four-year terms and elections may be held in May in even numbered years only. None of the members of the Board resides in the District. Each of the directors owns land within the District, subject to a note and deed of trust in favor of CCR Texas. Directors have staggered four-year terms. The current members of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Arden J. Morley	President	May 2024
William H. Yost	Vice President	May 2022
Gary Swafford	Secretary	May 2022
David W. D'Andrea	Assistant Secretary	May 2022
John Preston	Assistant Vice President	May 2024

**District Consultants**

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

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

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

Auditor: The Master District's financial statements for the year ended September 30, 2019, were audited by McGrath & Co., PLLC. See "APPENDIX B" for a copy of the District's September 30, 2019 financial statement. The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended September 30, 2020.

Engineer: The Master District's consulting engineer is BGE, Inc.

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

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

Bookkeeper: The Master District has contracted with F. Matuska, Inc. for bookkeeping services.

Utility System Operator: The City of Fulshear currently uses Inframark, Inc. to operate the water and sewer facilities serving the MUD Participants.

## **THE DEVELOPERS**

### **Role of a Developer**

In general, the activities of a landowner or developer in a municipal utility district such as the District and the other districts in the Service Area include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

None of the Developers (hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers has a binding commitment to the District to carry out any plan of development and each of the Developers may sell or otherwise dispose of its property within the Service Area, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the Service Area in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the Service Area. See "INVESTMENT CONSIDERATIONS."

Prospective Bond purchasers should note that any prior real estate experience discussed below of CCR Texas Holdings LP, CCR Loan Subsidiary 1, L.P., Landmark Industries Inc., RK CCR North, The Market at CCR Ltd., and Taylor Morrison of Texas Inc. (collectively, the "Developers") should not be construed as an indication that further development within the Service Area will occur, or that construction of taxable improvements upon property within the Service Area will occur, or that marketing or leasing of taxable improvements constructed upon property within the Service Area will be successful. See "INVESTMENT CONSIDERATIONS."

### **CCR Texas Holdings LP and CCR Loan Subsidiary 1, L.P.**

On April 12, 2012, CCR Texas Holdings LP, a Delaware limited partnership ("CCR Texas") with Johnson/CCR GP, LLC as its general partner, purchased Cross Creek Ranch, consisting of approximately 2,370 acres of land and 88 lots.

In 2013, CCR Texas transferred approximately 423 acres in the Service Area to its wholly owned subsidiary, CCR Loan Subsidiary 1, L.P. ("CCR Subsidiary"). Subsequently, CCR Texas transferred an additional 710 acres in the Service Area to CCR Subsidiary.

Johnson CCR Management LLC, an affiliate of The Johnson Development Corp. ("Johnson Development") is the development manager of CCR Texas. Johnson Development is a Houston-based residential and commercial land development company. For more than forty years, Johnson Development has developed master-planned communities in Houston, Atlanta, San Antonio and other markets. Johnson Development engages in development activities through itself and related entities.

### **Landmark Industries, Inc.**

Landmark Industries Inc. (“Landmark”) originally owned a 71 acre site within the boundaries of MUD 173 which is being developed for commercial purposes. Landmark has developed or sold 30 acres of the approximate 71 acre site within MUD 173 which it owned. As of January 1, 2020, Landmark owned approximately 41 acres of land in MUD 173.

### **RK CCR North**

RK CCR North, Ltd. (“RK CCR North”) owns approximately 9 acres, including 1.5 acres that have been developed for commercial use in MUD 173.

### **The Market at CCR, Ltd.**

The Market at CCR Ltd., a Texas limited partnership (“The Market at CCR”), owns approximately 4 acres of undeveloped land intended for commercial retail usage in MUD 173. The Market at CCR has also sold approximately 23 acres to TLM-CCR Phase II LLC (“TLM-CCR”). The Market at CCR has an agreement with TLM-CCR in which it has a right of first refusal and a set cost to purchase the 23 acres over a specific period of time. TLM-CCR is not typically a developer of land, and it is expected that either the land owned by TLM-CCR will be sold back to The Market at CCR or to an ultimate purchaser for development. TLM-CCR Phase II has sold approximately 8 acres for retail purposes and the purchaser of such acreage has an option to purchase an additional 4.5 acres of land.

### **Taylor Morrison**

Taylor Morrison of Texas Inc. owns approximately 73 acres in MUD 170 which is planned for the remaining sections of the single family subdivision of Bonterra.

### **Homebuilding**

Homebuilders in the Service Area include Avanti Homes, Partners in Building, Huntington Homes, Highland Homes, Darling Homes, Trendmaker Homes, Perry Homes, Village Builders, Newmark Homes Houston, Sitterle Homes, Taylor Morrison Homes, Chesmar Homes, and Lennar Homes. Homes in the Service Area range in sales price from approximately \$250,000 to \$1,000,000. Homebuilding is currently occurring in MUD 170, MUD 172 and MUD 173.

## **THE SYSTEM**

### **Master District Facilities**

**Operation of Master District Facilities:** The potable water supply facilities and wastewater treatment facilities constructed by or on the behalf of the Master District are conveyed to the City for operation and maintenance in accordance with the Utility Agreement and all capacity in said facilities is reserved for the Master District. The City currently uses Inframark, Inc., to operate such facilities. Each MUD Participant’s customers are billed by the City for water and sewer service. See “THE MUD PARTICIPANTS—Utility Agreement with the City.”

**Water Supply:** The potable water supply facilities constructed by or on behalf of the Master District and being operated by the City (“Water Supply Facilities”) currently consist of three water plants. Water Plant No. 1 consists of a 1,500 gallon per minute (“gpm”) water well and one 1,000 gpm water well; 840,000 gallons of ground storage capacity; 9,300 gpm of booster pump capacity; pressure tank capacity of 60,000 gallons and all related appurtenances. Water Plant No. 2 consists of a 1,650 gpm water well, 860,000 gallons of ground storage capacity, pressure tank capacity of 60,000 gallons, 4,900 gpm of booster tank capacity and all related appurtenances. Water Plant No. 3 consists of a 1,650 gpm water well, 430,000 gallons of ground storage capacity, pressure tank capacity of 30,000 gallons, 4,900 gpm of booster tank capacity and all related appurtenances. The major components of the Master District’s Water Supply Facilities have the capacity to serve approximately 8,928 equivalent single-family connections (“ESFCs”). According to the District’s Engineer, the Master District has a current reserved capacity of 6,236 ESFCs for the MUD Participants and 6,034 active connections are being served by the Water Supply Facilities.

In order to fully provide water supply to the Service Area, the Water Supply Facilities will need to be expanded from time to time to meet the demand for such facilities. By reserving capacity, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

The Master District owns and operates non-potable water pump stations and waterlines used for irrigation purposes within the Service Area.

**Wastewater Treatment:** The wastewater treatment facilities constructed by or on behalf of the Master District and being operated by the City (“Wastewater Treatment Facilities”) consist of a leased plant (the “Leased Wastewater Plant”) pursuant to lease agreements, as amended, between the District and AUC group, L.P. (“AUC”) (the “Lease Agreements”) with a total capacity of 500,000 gallons per day (“gpd”) and a permanent plant with a capacity of 1,000,000 gpd (the “Permanent Wastewater Plant”). The City has assumed certain rights and obligations under the Lease Agreements for the Leased Wastewater Plant. The Master District remains obligated to pay the lease payment for the Leased Wastewater Plant, which is currently \$13,000 per month. Such lease cost is included in the Master District’s operation and maintenance expenses and therefore is shared by all MUD Participants that have reserved equivalent single-family connections (“ESFCs”). The District may terminate the Lease Agreements at any time, after May 1, 2022, by giving at least sixty (60) days notice to AUC. Current wastewater treatment capacity of the Wastewater Treatment Facilities will serve approximately 8,333 ESFCs. According to the District’s Engineer, the Master District has reserved capacity for 6,236 ESFCs for the MUD Participants and approximately 6,034 active ESFCs are being served by the Wastewater Treatment Facilities.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment facilities will need to be expanded from time to time to meet the demand for such facilities. By reserving capacity, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active.

**Major Water Distribution and Wastewater Collection:** Major water distribution facilities consist of waterlines ranging in size from 12-inch to 24-inch, generally located within the rights-of-way. These water distribution facilities supply water from the Water Supply Facilities to the internal facilities constructed by or on behalf of each MUD Participant. The major wastewater collection facilities include sanitary sewer lines ranging in size from 10-inch to 36-inch generally located within the rights-of-way of collector roads, arterial roads and major thoroughfares. These collection lines collect waste from the internal facilities constructed by or on behalf of each MUD Participant and transport it to the Wastewater Treatment Facilities. These potable water distribution and wastewater collection lines are conveyed to the City for operation and maintenance in accordance with the Utility Agreement.

**Master Drainage:** The Master District also provides the Service Area with drainage facilities designed for a 100-year storm event. These facilities include drainage channel facilities, detention pond facilities, water quality ponds, and conveyance storm sewer lines. Conveyance storm sewer lines are conveyed to the City for operation and maintenance in accordance with the Utility Agreement. Drainage channels, detention ponds, and water quality ponds are not conveyed to the City and the Master District is responsible for operation and maintenance thereof.

**Road System:** The Master District has constructed Master District Road Facilities. To date, the City has accepted the Master District Road Facilities for operation and maintenance. In the event the City were to fail to accept the Master District Road Facilities, the Master District is expected to include the cost of maintenance of same in the Master District’s operation and maintenance expenses to be shared by all MUD Participants based on the number of equivalent single-family connections reserved by each MUD Participant, and such cost could be significant.

**Master Park Facilities:** The Master District has constructed Master District Park Facilities. The Master District will be responsible for the cost of operation and maintenance of same, which costs are shared by all MUD Participants based on the number of equivalent single-family connections reserved by each MUD Participant.

### **Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Internal water distribution, wastewater collection and storm drainage facilities have been constructed or are currently being constructed by MUD 170 to serve 1,550 single-family residential lots and 170 ESFCs of commercial development, by MUD 171 to serve 899 single-family residential lots and 117 ESFCs of commercial development, by MUD 172 to serve 1,648 single-family lots and 191 ESFCs of commercial development, and by MUD 173 to serve 1,006 single-family residential lots and 655 ESFCs of commercial development. See “THE DISTRICT—Land Use—Status of Development.”

### **Storm Water Drainage Facilities and Flood Plain**

Undeveloped land in the Service Area drains naturally by way of overland sheet flow to Flewellen Creek. Internal storm-water collection lines will be constructed for drainage system improvements to serve each MUD Participant’s development and, pursuant to utility agreements between the City and each MUD Participant will be conveyed to the City for operation and maintenance. This storm sewer system will serve all the MUD Participants’ drainage area and will convey flows to several storm water detention basins owned and maintained by the Master District. The detention basins will ultimately drain to Flewellen Creek.

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

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, no areas in the Service Area are located within the 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

The Federal Emergency Management Agency is in a process to remap the Special Flood Hazard Area (SFHA) (commonly referred to as the 100-year flood plain elevation) and create a new digital Flood Insurance Rate Map (DFIRM) in Fort Bend County. Preliminary DFIRM maps have been released, and no changes were made to the 100-year flood plain within the Service Area. The Preliminary Flood Insurance Study report is subject to public comment, revisions and changes. Although no changes are anticipated within the Service Area, if the final study concludes that the level of the 100-year flood plain is substantially higher than current standards, land currently mapped outside the floodplain could be remapped inside the floodplain and remedial actions may be required that could have a material adverse impact on the Service Area. Remedial actions could require the removal of property from the floodplain by way of channel or other improvements and the issuance of additional debt by the Master District.

### **Subsidence and Conversion to Surface Water Supply**

The Service Area is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The City’s authority to pump groundwater from water wells conveyed to the City by the Master District is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the Service Area. In 2005, the Texas legislature created the North Fort Bend Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the northern portion of Fort Bend County (including the Service Area) and a small portion of Harris County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The water wells conveyed by the Master District to the City are included within the Authority’s GRP.

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

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority’s GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority’s GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty, currently \$6.50 per 1,000 gallons (“Disincentive Fees”), imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the City. If the City failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the City.

The Master District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates that the City will pass such fees through to City customers (including customers within the Service Area). In addition, conversion to surface water could necessitate improvements to the water system conveyed to the City which could require the issuance of additional Water/Sewer/Drainage Contract Revenue Bonds by the Master District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

### **Regulation**

Construction and operation of the Master District Facilities as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District, in its capacity as the Master District and in its capacity as a provider of internal utility services. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County and the City also exercise regulatory jurisdiction over the Master District Facilities.

According to the Engineer, the improvements constructed by or on behalf of the Master District that will be financed with proceeds of the Bonds, have been designed and the corresponding plans prepared in accordance with accepted engineering practices and specifications and the approval and permitting requirements of the TCEQ, the Texas Department of Health, Fort Bend County and the City, where applicable.

**FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)**

**Contract Revenue Bonds of the Master District**

Direct Debt Water/Sewer/Drainage Contract Revenue Bonds (includes the Bonds) .....	\$118,640,000
Direct Debt Road Contract Revenue Bonds .....	54,500,000
Estimated Overlapping Debt .....	<u>188,114,987</u> (a)
Total Direct and Overlapping Debt .....	\$361,254,987

**Gross Assessed Valuation**

2020 Gross Assessed Valuation .....	\$1,892,600,664 (b)
Estimated Value as of August 1, 2020 .....	\$1,971,971,494 (c)

Direct Debt as a % of

the 2020 Certified Gross Assessed Valuation .....	9.15%
the Estimated Value as of August 1, 2020 .....	8.78%

Direct Debt and Estimated Overlapping Debt as a % of

the 2020 Certified Gross Assessed Valuation .....	19.09%
the Estimated Value as of August 1, 2020 .....	18.32%

**Master District Debt Service Funds Available as of October 5, 2020:**

Water/Sewer/Drainage Reserve Fund Balance .....	\$3,811,541 (d)(e)
Water/Sewer/Drainage Debt Service Fund Balance .....	<u>\$2,215,068</u> (e)(f)
Total Available for Water/Sewer/Drainage Debt Service .....	\$6,026,609
Road Reserve Fund Balance .....	\$1,839,581 (e)
Road Debt Service Fund Balance.....	<u>\$1,282,335</u> (e)(g)
Total Available for Road Debt Service .....	\$3,121,916

**Master District Capital Projects Funds Available as of October 5, 2020:**

Water/Sewer/Drainage Capital Projects Fund .....	\$3,758,006 (h)
Road Capital Projects Fund .....	\$3,999,846

**Master District Operating Funds Available as of October 5, 2020 .....** \$2,648,063 (i)

- (a) See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Estimated Overlapping Debt."
- (b) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for MUD Nos. 170, 171, 172 and 173).
- (c) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes for MUD 170, MUD 171, MUD 172 and 173, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. These estimates have no official status. The 2020 Certified Assessed Valuation is shown for MUD 169. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.
- (d) From the proceeds of the Bonds, the District will deposit \$324,393 into the Water/Sewer/Drainage Reserve Fund, which is the amount needed to satisfy the Water/Sewer/Drainage Reserve Requirement associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (e) All of the Master District's contract revenue bond debt is payable from contract taxes as follows: (i) the Water/Sewer/Drainage Contract Tax with respect to Water/Sewer/Drainage Contract Revenue Bonds, and (ii) the Road Contract Tax with respect to the Road Contract Revenue Bonds. The revenues from the Water/Sewer/Drainage Contract Tax will be allocated to Water/Sewer/Drainage Contract Revenue Bonds, including the outstanding Water/Sewer/Drainage Contract Revenue Bonds and the Bonds, and the revenues from the Road Contract Tax will be allocated to the Road Contract Revenue Bonds, including the outstanding Road Contract Revenue Bonds. (See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Outstanding Bonds"). The Road Debt Service Fund is not pledged to the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds nor will funds deposited into the Water/Sewer/Drainage Debt Service Fund be pledged to Road Contract Revenue Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) Excludes funds used to make the District's December 1, 2020 debt service payment in the amount of \$6,033,091.
- (g) Excludes funds used to make the District's December 1, 2020 debt service payment in the amount of \$2,224,989.
- (h) Includes \$2,860,000 of surplus funds to be applied towards projects to be financed by the Bonds.
- (i) Includes approximately \$584,888 from the City of Fulshear pursuant to a cost sharing agreement between the District and the City for rehabilitation of the Leased Wastewater Plant (as defined herein) and construction of additional improvements to the Leased Wastewater Plant and the Permanent Wastewater Plant (as defined herein).

**MUD Participants' Gross Value as a Percentage of all MUD Participants**

<u>MUD Participant</u>	Certified 2020 Gross Assessed Valuation (a)	% of 2020 Certified Gross Assessed Valuation as of 1/1/2020
MUD 169	\$ 7,417,330	0.39%
MUD 170	272,568,337	14.40%
MUD 171	394,457,891	20.84%
MUD 172	708,286,502	37.42%
MUD 173	509,870,605	26.94%
<b>Total of MUD Participants</b>	<b>\$ 1,892,600,664</b>	<b>100.00%</b>

(a) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for MUD Nos. 170, 171, 172 and 173).

**Outstanding Bonds**

The District has issued twenty series of contract revenue bonds in the aggregate principal amount of \$203,215,000. Ten of such series were issued to fund Master District Water/Sewer/Drainage Facilities in the aggregate principal amount of \$115,185,000, of which \$85,895,000 remains outstanding and six of such series were issued to fund Master District Road Facilities in the aggregate principal amount of \$58,790,000, of which \$44,590,000 remains outstanding. The District has also issued three series of Water/Sewer/Drainage Contract Revenue Refunding Bonds in the aggregate principal amount of \$19,330,000, of which \$19,245,000 remains outstanding and one series of Road Contract Revenue Refunding Bonds in the aggregate principal amount of \$9,910,000, all of which remains outstanding. The following table lists the original principal amount outstanding as of October 1, 2020 of the outstanding Water/Sewer/Drainage Contract Revenue Bonds, including the contract revenue refunding bonds, and the outstanding Road Contract Revenue Bonds (collectively, the "Outstanding Bonds").

<u>Series</u>	<u>Title</u>	Original Principal Amount	Principal Amount Outstanding as of 10/1/2020
2009	Water/Sewer/Drainage Contract Revenue Bonds	\$ 3,590,000	\$ -
2010	Water/Sewer/Drainage Contract Revenue Bonds	6,570,000	-
2011	Water/Sewer/Drainage Contract Revenue Bonds	7,785,000	-
2011A	Water/Sewer/Drainage Contract Revenue Bonds	4,030,000	110,000
2012	Road Contract Revenue Bonds	10,720,000	310,000
2013	Water/Sewer/Drainage Contract Revenue Bonds	11,310,000	10,435,000
2014	Road Contract Revenue Bonds	8,460,000	7,870,000
2015	Water/Sewer/Drainage Contract Revenue Bonds	15,000,000	12,550,000
2015A	Road Contract Revenue Bonds	8,850,000	6,550,000
2016	Water/Sewer/Drainage Contract Revenue Bonds	11,000,000	9,300,000
2017	Water/Sewer/Drainage Contract Revenue Bonds	15,320,000	13,720,000
2017A	Water/Sewer/Drainage Contract Revenue Refunding Bonds	2,455,000	2,455,000
2017B	Road Contract Revenue Bonds	8,440,000	7,760,000
2018	Road Contract Revenue Bonds	5,570,000	5,350,000
2018A	Water/Sewer/Drainage Contract Revenue Bonds	23,000,000	22,200,000
2019	Water/Sewer/Drainage Contract Revenue Refunding Bonds	13,245,000	13,160,000
2019A	Water/Sewer/Drainage Contract Revenue Bonds	17,580,000	17,580,000
2020	Road Contract Revenue Bonds	16,750,000	16,750,000
2020A	Water/Sewer/Drainage Contract Revenue Refunding Bonds	3,630,000	3,630,000
2020B	Road Contract Revenue Refunding Bonds	<u>9,910,000</u>	<u>9,910,000</u>
<b>Total</b>		<b>\$ 203,215,000</b>	<b>\$ 159,640,000</b>
The Bonds			<u>\$ 13,500,000</u>
The Bonds and Outstanding Bonds			<u>\$ 173,140,000</u>



## Short Term Debt

The District sold a \$4,875,000 Bond Anticipation Note, Series 2020 (the “BAN”) on June 16, 2020, with a maturity date of June 15, 2021. The District will use a portion of the Bond proceeds to redeem the BAN prior to maturity. Proceeds from the BAN were used in part to reimburse certain of the Developers for certain construction costs as shown under “USE AND DISTRIBUTION OF BOND PROCEEDS.”

## Operating Fund Statement

The following statement sets forth in condensed form the General Operating Fund for the Master District as shown in the District's audited financial statements for the fiscal years ended September 30, 2016 through September 30, 2019 and an unaudited summary as of August 31, 2020, prepared by the Bookkeeper. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to “APPENDIX B” for further and complete information.

	Unaudited 10/1/2019 to 8/31/2020(a)	Fiscal Year Ended September 30			
		2019	2018	2017	2016
<b>Revenues</b>					
Investment Income	\$ 11,439	\$ 15,804	\$ 1,625	\$ 886	\$ 469
Water Supply		-	-	-	7,200
Master District Fees	1,841,490	1,820,370	1,602,600	1,551,660	1,117,110
<b>Total Revenues</b>	<b>\$ 1,852,929</b>	<b>\$ 1,836,174</b>	<b>\$ 1,604,225</b>	<b>\$ 1,552,546</b>	<b>\$ 1,124,779</b>
<b>Expenditures</b>					
Professional Fees	\$ 322,170	\$ 191,795	\$ 177,412	\$ 282,285	\$ 193,729
Contracted Services	22,307	21,512	21,206	21,775	24,002
Regional Water Authority Fees	218,790	289,266	193,929	162,985	129,380
Repairs and Maintenance	694,352	419,762	430,360	370,809	262,195
Utilities	62,011	24,538	34,923	155,018	138,096
Administrative	37,458	18,541	25,552	21,697	74,866
WWTP Lease Expense	143,000	156,000	169,200	235,200	249,515
<b>Total Expenditures</b>	<b>\$ 1,500,088</b>	<b>\$ 1,121,414</b>	<b>\$ 1,052,582</b>	<b>\$ 1,249,769</b>	<b>\$ 1,071,783</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ 352,841</b>	<b>\$ 714,760</b>	<b>\$ 551,643</b>	<b>\$ 302,777</b>	<b>\$ 52,996</b>
<b>Fund Balance (Beginning of Year)</b>	<b>\$ 1,770,636</b>	<b>\$ 1,055,876</b>	<b>\$ 504,233</b>	<b>\$ 201,456</b>	<b>\$ 148,460</b>
<b>Fund Balance (End of Year)</b>	<b>\$ 2,123,477</b>	<b>\$ 1,770,636</b>	<b>\$ 1,055,876</b>	<b>\$ 504,233</b>	<b>\$ 201,456</b>

(a) Unaudited. Provided by the District’s bookkeeper.

**Debt Service Requirements**

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

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 8,258,079 (a)				\$ 8,258,079
2021	11,302,044	\$ 300,000	\$ 348,938	\$ 648,938	11,950,981
2022	11,208,844	300,000	336,938	636,938	11,845,781
2023	10,701,856	300,000	324,938	624,938	11,326,794
2024	10,630,656	300,000	312,938	612,938	11,243,594
2025	10,565,606	300,000	300,938	600,938	11,166,544
2026	10,516,369	300,000	288,938	588,938	11,105,306
2027	10,480,325	300,000	276,938	576,938	11,057,263
2028	10,432,994	300,000	270,938	570,938	11,003,931
2029	10,369,444	385,000	264,938	649,938	11,019,381
2030	10,312,113	405,000	257,238	662,238	10,974,350
2031	10,233,669	425,000	249,138	674,138	10,907,806
2032	10,175,206	445,000	240,638	685,638	10,860,844
2033	10,118,694	465,000	231,738	696,738	10,815,431
2034	10,030,313	485,000	221,856	706,856	10,737,169
2035	9,731,250	510,000	210,944	720,944	10,452,194
2036	9,072,331	535,000	198,831	733,831	9,806,163
2037	8,564,788	560,000	186,125	746,125	9,310,913
2038	8,181,900	585,000	172,125	757,125	8,939,025
2039	6,446,425	900,000	157,500	1,057,500	7,503,925
2040	5,688,744	900,000	135,000	1,035,000	6,723,744
2041	4,927,750	900,000	112,500	1,012,500	5,940,250
2042	4,234,625	900,000	90,000	990,000	5,224,625
2043	3,151,194	900,000	67,500	967,500	4,118,694
2044	1,961,200	900,000	45,000	945,000	2,906,200
2045	738,000	900,000	22,500	922,500	1,660,500
<b>Total</b>	<b>\$ 218,034,417</b>	<b>\$ 13,500,000</b>	<b>\$ 5,325,069</b>	<b>\$ 18,825,069</b>	<b>\$ 236,859,486</b>

(a) Represents the 12/1/20 Debt Service payment.

Average Annual Debt Service Requirements (2021-2045) ..... \$ 9,114,056  
 Maximum Annual Debt Service Requirement (2021) ..... \$11,950,981

**Estimated Overlapping Debt**

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 642,587,257	10/1/2020	2.07%	\$ 13,303,120
City of Fulshear.....	-	10/1/2020	-	-
Katy Independent School District.....	1,888,706,959	10/1/2020	3.85%	72,670,225
Lamar Consolidated Independent School District...	1,138,945,000	10/1/2020	1.63%	18,591,642
Fort Bend County MUD 171.....	13,160,000	10/1/2020	100.00%	13,160,000
Fort Bend County MUD 172 .....	31,430,000 (a)	10/1/2020	100.00%	31,430,000
Fort Bend County MUD 170 .....	17,475,000 (b)	10/1/2020	100.00%	17,475,000
Fort Bend County MUD 173 .....	21,485,000	10/1/2020	100.00%	21,485,000
Total Estimated Overlapping Debt.....				\$ 188,114,987
The District.....	173,140,000 (c)	10/1/2020		173,140,000
Total Direct and Estimated Overlapping Debt.....				\$ 361,254,987

Direct and Estimated Overlapping Debt as a Percentage of:

Certified Gross Assessed Valuation as of January 1, 2020 of \$1,892,600,664 .....	19.09%
Estimated Gross Assessed Valuation as of August 1, 2020 of \$1,971,971,494 (d).....	18.32%

- (a) Includes the \$1,480,000 Unlimited Tax Bonds, Series 2020 expected to be issued in December, 2020.
- (b) Includes the \$3,000,000 Unlimited Tax Bonds, Series 2020 expected to be issued in November, 2020.
- (c) Includes the Bonds. Excludes the District’s December 1, 2020 debt service payment.
- (d) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes for MUD 170, MUD 171, MUD 172 and MUD 173, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. These estimates have no official status. The 2020 Certified Assessed Valuation is shown for MUD 169. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

**Overlapping Taxes**

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

Set forth below is a summary of taxes levied for the 2020 tax year by all entities which tax property within the MUD Participants' boundaries. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2020 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>	2020 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.453210	\$ 0.453210
Fort Bend County ESD No. 4.....	\$ 0.100000	\$ 0.100000
Katy ISD (b).....	\$ 1.388800	
Lamar Consolidated ISD (b).....		\$ 1.269100
City of Fulshear.....	\$ 0.207070	\$ 0.207070
MUD Participants (c).....	<u>\$ 1.338380</u>	<u>\$ 1.338380</u>
Total Tax Rate.....	\$ 3.487460	\$ 3.367760

- (a) Includes Fort Bend County Drainage District.
- (b) A portion of the Service Area is located in Katy ISD and a portion of the Service Area in Lamar CISD.
- (c) Represents the highest total tax rate for any of the MUD Participants.

**TAX DATA**

**Contract Tax**

The District, in its capacity as Master District, has the authority to issue contract revenue bonds, including the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds, pursuant to the Master District Contract. The pro rata share of the annual debt service requirements on the contract revenue bonds, including the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds, for each MUD Participant, including the District, shall be determined annually by dividing each of such MUD Participant's gross certified assessed value by the total of all of the MUD Participants' gross certified assessed valuation. The Master District Contract obligates each MUD Participant to pay its pro rata share of debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds from the proceeds of an annual unlimited ad valorem tax levied by each MUD Participant, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. The Master District Contract obligates each MUD Participant to pay its pro rata share of debt service requirements on the Road Contract Revenue Bonds from the proceeds of an annual unlimited ad valorem tax levied by each MUD Participant, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. Since the water distribution and wastewater collection systems of each MUD Participant, including the District, are expected to be conveyed to the City, it is not expected that the MUD Participants will have any revenues from such systems and it is expected that all of such system revenues will belong to the City. The debt service requirement for the Water/Sewer/Drainage Contract Revenue Bonds shall include principal, interest and redemption requirements on the Water/Sewer/Drainage Contract Revenue Bonds, charges and expenses of paying agents/registrars and trustees, and all amounts necessary to establish and maintain funds established under the resolution(s) or indenture(s) of trust pursuant to which the Water/Sewer/Drainage Contract Revenue Bonds are issued. The debt service requirement for the Road Contract Revenue Bonds shall include principal, interest and redemption requirements on the Road Contract Revenue Bonds, charges and expenses of paying agents/registrars and trustees, and all amounts necessary to establish and maintain funds established under the resolution(s) or indenture(s) of trust pursuant to which the Road Contract Revenue Bonds are issued. Historical contract tax rates levied by the MUD Participants are reflected in APPENDIX "A".

**Tax Roll Information**

The MUD Participants’ assessed value as of January 1 of each year will be used by the Master District in establishing the Water/Sewer/Drainage Contract Payments and Road Contract Payments and recommending the Water/Sewer/Drainage Contract Tax rate and Road Contract Tax rate to the MUD Participants. The following represents the 2016 through 2020 Certified Gross Assessed Valuations of the MUD Participants. Historical tax roll information concerning each MUD Participant is included in APPENDIX A herein.

MUD Participant	MUD Participants' 2016 Certified Gross Assessed Valuation	MUD Participants' 2017 Certified Gross Assessed Valuation	MUD Participants' 2018 Certified Gross Assessed Valuation	MUD Participants' 2019 Certified Gross Assessed Valuation	MUD Participants' 2020 Certified Gross Assessed Valuation (a)
Fort Bend County MUD 169	\$ 6,323,120	\$ 7,968,880	\$ 7,968,880	\$ 7,966,740	\$ 7,417,330
Fort Bend County MUD 170	102,263,100	124,688,741	170,299,115	212,889,924	272,568,337
Fort Bend County MUD 171	378,087,795	362,269,042	363,033,599	373,049,801	394,457,891
Fort Bend County MUD 172	518,030,562	543,180,291	566,457,467	616,023,152	708,286,502
Fort Bend County MUD 173	85,260,491	171,393,039	254,220,112	383,887,323	509,870,605
	<u>\$ 1,089,965,068</u>	<u>\$ 1,209,499,993</u>	<u>\$ 1,361,979,173</u>	<u>\$ 1,593,816,940</u>	<u>\$ 1,892,600,664</u>

(a) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District (“Appraisal District”) for MUD Nos. 170, 171, 172 and 173).

**Historical Contract Payment Collections**

The District, in its capacity as a MUD Participant, levied a 2020 Contract Tax Rate in the amount of \$0.675 per \$100 of gross assessed valuation. MUD 170 levied a 2020 Contract Tax Rate in the amount of \$0.685 per \$100 of gross assessed valuation. MUD 171 and MUD 172 each levied a 2020 Contract Tax Rate in the amount of \$0.695 per \$100 of gross assessed valuation. MUD 173 levied a 2020 Contract Tax Rate in the amount of \$0.715 per \$100 of gross assessed valuation. 2020 Contract Tax Payments for the 2021 calendar year are due to the Master District in equal payments on March 1 and September 1, 2021.

2010 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2011 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2012 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2013 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2014 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2015 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2016 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2017 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2018 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2019 Water/Sewer/Drainage Contract Payment Collection Rate .....	100.00%
2013 Road Contract Payment Collection Rate .....	100.00%
2014 Road Contract Payment Collection Rate .....	100.00%
2015 Road Contract Payment Collection Rate .....	100.00%
2016 Road Contract Payment Collection Rate .....	100.00%
2017 Road Contract Payment Collection Rate .....	100.00%
2018 Road Contract Payment Collection Rate .....	100.00%
2019 Road Contract Payment Collection Rate .....	100.00%

Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Road Contract Revenue Bonds; or (ii) fund or maintain the Road Reserve Fund.

**Contract Payment Allocation Data**

<u>MUD Participant</u>	Certified 2020 Gross Assessed Valuation (a)	% of 2020 Certified Gross Assessed Valuation as of 1/1/2020
MUD 169	\$ 7,417,330	0.39%
MUD 170	272,568,337	14.40%
MUD 171	394,457,891	20.84%
MUD 172	708,286,502	37.42%
MUD 173	509,870,605	26.94%
Total of MUD Participants	\$ 1,892,600,664	100.00%

(a) Includes \$1,875,268,974 of certified value and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Fort Bend Central Appraisal District (“Appraisal District”) for MUD Nos. 170, 171, 172 and 173).

**Tax Adequacy for Debt Service**

The Contract Tax (comprised of Water/Sewer/Drainage Contract Tax and Road Contract Tax) rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the MUD Participants’ tax base occurred beyond the 2020 Certified Gross Assessed Valuation of \$1,892,600,664 or the August 1, 2020 Estimated Assessed Value of \$1,971,971,494. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Outstanding Bonds and the Bonds when due, assuming no further increase or any decrease in taxable values of the MUD Participants, collection of ninety- five percent (95%) of taxes levied, the sale of no additional contract revenue bonds by the Master District, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2045) .....	\$9,114,056
\$0.51 Tax Rate on 2020 Certified Gross Assessed Valuation.....	\$9,169,650
\$0.49 Tax Rate on Estimated Value as of August 1, 2020.....	\$9,179,527
Maximum Annual Debt Service Requirement (2021).....	\$11,950,981
\$0.67 Tax Rate on 2020 Certified Gross Assessed Valuation.....	\$12,046,403
\$0.64 Tax Rate on Estimated Value as of August 1, 2020.....	\$11,989,587

**TAXING PROCEDURES**

**Authority to Levy Taxes**

Each MUD Participant, including the District in its capacity as a MUD Participant, is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within its boundaries in an amount sufficient to pay the principal of and interest on the outstanding bonds issued by such MUD Participant, to pay its pro rata share of debt service requirements (including reserve fund requirements) on the contact revenue bonds (including Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds) issued by the Master District, and to pay the expenses of assessing and collecting such taxes. Under Texas law, the board of directors of each MUD Participant may also levy and collect an annual ad valorem tax for the operation and maintenance of such MUD Participant and its facilities. See “INVESTMENT CONSIDERATIONS—Future Debt” and “TAX DATA—Contract Tax.”

**Property Tax Code and County-Wide Appraisal District**

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

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

## **Property Subject to Taxation by the MUD Participants**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in a MUD Participant are subject to taxation by that MUD Participant. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, each MUD Participant may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the respective boards. A MUD Participant may be required to offer such an exemption if a majority of voters approve it at an election. A MUD Participant would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. Each MUD Participant is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair a MUD Participant's obligation to pay tax supported debt incurred prior to adoption of the exemption by a MUD Participant. Furthermore, each MUD Participant must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

## **Tax Abatement**

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

## **Valuation of Property for Taxation**

Generally, property in the Service Area must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the MUD Participants in establishing their tax rolls and tax rates. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

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

## **MUD Participant and Taxpayer Remedies**

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



## **Levy and Collection of Taxes**

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

## **Additional Penalties**

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

## **Tax Payment Installments After Disaster**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the MUD Participants if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

## **Rollback of Operation and Maintenance Tax Rate**

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

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

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

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

*The MUD Participants:* For the 2020 tax year, each of the MUD Participants have been determined to be a Developing District. For future years, a determination as to each MUD Participant's status as a Special Taxing Unit, Developed District or Developing District will be made by each MUD Participant on an annual basis. . The District cannot give any assurances as to what the MUD Participants' classifications will be at any point in time or whether the MUD Participants future tax rates will result in a total tax rate that will reclassify the MUD Participant into a new classification and new rollback election calculation.

#### **MUD Participant's Rights in the Event of Tax Delinquencies**

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

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

#### **The Effect of FIRREA on Tax Collections of the District**

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

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

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

## INVESTMENT CONSIDERATIONS

### General

The Bonds are obligations solely of the Master District and are not obligations of the State of Texas, Fort Bend County, the City, any of the MUD Participants except the Master District, or any entity other than the Master District. The Bonds are payable solely from and to the extent of certain contract payments received by the Master District from the MUD Participants pursuant to the Master District Contract, with each MUD Participant's annual contract payment being equal to its pro rata share of annual debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Water/Sewer/Drainage Reserve Fund, established under the bond resolutions for Water/Sewer/Drainage Contract Revenue Bonds or the Water/Sewer/Drainage Indenture based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants (the "Water/Sewer/Drainage Contract Payment(s)"). In addition to the Water/Sewer/Drainage Contract Payments, MUD Participants are required to make separate Road Contract Payments, described below, in connection with the Road Contract Revenue Bonds. The Road Contract Revenue Bonds are payable solely from and to the extent of certain contract payments received by the Master District from the MUD Participants pursuant to the Master District Contract, with each MUD Participant's annual contract payment being equal to its pro rata share of annual debt service on the Road Contract Revenue Bonds, plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds, including the Road Reserve Fund, established under bond resolutions for Road Contract Revenue Bonds or the Road Indenture based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants (the "Road Contract Payment(s)"). The Road Contract Payments and Water/Sewer/Drainage Contract Payments are referred to herein collectively as the "Contract Payments."

The obligations of the MUD Participants to make Water/Sewer/Drainage Contract Payments are several, not joint, obligations pro-rated among the MUD Participants based upon the proportion of the gross assessed valuation of property within their respective boundaries to the total gross assessed valuation of property within all of the MUD Participants as described herein. No MUD Participant is obligated to pay the Water/Sewer/Drainage Contract Payments allocated to any other MUD Participant; however, lack of payment, as required by the Master District Contract, by any MUD Participant could result in an increase in the Water/Sewer/Drainage Contract Payment amount paid by each of the other MUD Participants during the time that such MUD Participant's payment is delinquent. The security for payment of the principal of and interest on the Bonds by the Master District, therefore, depends on the ability of each MUD Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to make its Water/Sewer/Drainage Contract Payments.

### Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the Service Area. Principal and interest on the Bonds are payable from and secured by an unconditional obligation of each MUD Participant to make certain Water/Sewer/Drainage Contract Payments pursuant to the Master District Contract, and a reduction in property values within the Service Area may require an increase in the MUD Participants' ad valorem tax rates required to pay the MUD Participant's obligations pursuant to the Master District Contract, including the Water/Sewer/Drainage Contract.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

### **Potential Effects of Oil Price Declines on the Houston Area**

The recent declines in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the Service Area. As previously stated, principal and interest on the Bonds are payable from and secured by an unconditional obligation of each MUD Participant to make Water/Sewer/Drainage Contract Payments pursuant to the Master District Contract, and a reduction in property values within the Service Area may require an increase in the MUD Participants' ad valorem tax rates required to pay the MUD Participant's obligations pursuant to the Master District Contract, including the Water/Sewer/Drainage Contract Payments.

### **Recent Extreme Weather Events; Hurricane Harvey**

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

The District constructs for the benefit of and conveyance to the City of Fulshear (the "City"), certain water, wastewater and drainage facilities needed to serve land being developed within the Service Area, and upon conveyance of the facilities to the City, the City assumes responsibility for the operation and maintenance of the facilities. According to the City, the City's water supply and distribution system and wastewater treatment and collection system serving the property within the Service Area's boundaries did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service to the Service Area as a result of Hurricane Harvey. Further, according to the developers, no taxable improvements within the Service Area experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

### **Specific Flood Type Risks**

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

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

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the Service Area results from the current market value of single-family residences and of developed lots which are currently being marketed by CCR Texas and CCR Subsidiary for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Service Area or could adversely impact such values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the Service Area. In addition, since the Service Area is located approximately 31 miles from the central downtown business district of the City of Houston, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the Service Area and restrain the growth of the Service Area's property tax base or reduce it from current levels.

### **Competition**

The demand for and construction of single-family homes in the Service Area, which is 31 miles from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the western portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the Service Area and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the Service Area.

The competitive position of CCR Texas and CCR Subsidiary in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the Service Area is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the Service Area. The District can give no assurance that building and marketing programs in the Service Area by CCR Texas and CCR Subsidiary will be implemented or, if implemented, will be successful.

### **Maximum Impact on Contract Tax Rate**

Assuming no further development, the value of the land and improvements currently within the MUD Participants' boundaries will be the major determinant of the ability or willingness of owners of property within the MUD Participants' boundaries to pay their taxes. The Certified Gross Assessed Value of the Participants as of January 1, 2020 is \$1,892,600,664 and the Estimated Gross Assessed Valuation as of August 1, 2020 is \$1,971,971,494. After issuance of the Bonds, the maximum debt service requirement on the Outstanding Bonds, and the Bonds will be \$11,950,981 (2021), and the average annual debt service requirement will be \$9,114,056 (2020-2044, inclusive). Assuming no increase or decrease from the Certified Gross Assessed Value as of January 1, 2020 and the Estimated Gross Assessed Valuation as of August 1, 2020, the issuance of no additional debt, and no other funds available for the payment of debt service, Contract Tax rates of \$0.67 and \$0.64 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement of the Outstanding Bonds and the Bonds, respectively, and Contract Tax rates of \$0.51 and \$0.49 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements of the Outstanding Bonds and the Bonds, respectively. Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Road Contract Revenue Bonds; or (ii) fund or maintain the Road Reserve Fund. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Debt Service Requirements."

### **Debt Burden on Property within the MUD Participants**

The Master District expects that each MUD Participant (including the District in its capacity as a MUD Participant) will derive funds to make its Water/Sewer/Drainage Contract Payments to the Master District from the collection of ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries. In addition to the annual levy of a tax to make its annual Water/Sewer/Drainage Contract Payment, each MUD Participant (including the District in its capacity as a MUD Participant) is authorized, and expected, to levy a tax on property within its boundaries (without legal limit as to rate or amount) to pay its Road Contract Payments, and annual principal and interest on bonds issued by the MUD Participant and to pay its operations and maintenance expenses. It is expected that if and when sufficient taxable value exists within each MUD Participant, each MUD Participant will issue bonds to finance the internal water, wastewater and storm drainage facilities within its boundaries, and to finance Park Construction Charges due to the Master District, as permitted by the rules of the TCEQ. The TCEQ rules permit the issuance of bonds by a MUD Participant based, to a certain extent, upon projections of growth in ad valorem taxable value within the boundaries of the MUD Participant. In the event those growth projections are not realized, the MUD Participant's tax rate to pay debt service on its bonds may increase in future years. The Master District has no control over such tax rate. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS—Estimated Overlapping Debt" and "APPENDIX A" for information on each MUD Participant's debt and taxes.

The composite tax rate to which property in each MUD Participant is subject may be higher than the composite tax rate of property within other competing subdivisions. To the extent that such composite tax rate is not competitive, the growth of property tax values in each MUD Participant and the investment quality or security of the Bonds could be adversely affected. The Master District has no control over such composite tax rate. See "Competition" in this section and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS—Overlapping Taxes."

The Master District can make no representation that the taxable property values in the MUD Participants' boundaries will maintain a value sufficient to justify continued payment of taxes by property owners. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)," "TAX DATA—Tax Adequacy for Debt Service," and "APPENDIX A."

### **Undeveloped Acreage and Vacant Lots**

There are approximately 333 developable acres of land within the Service Area that have not been provided with water, sanitary sewer, drainage, park, road and other facilities necessary for the construction of taxable improvements. In addition, there are 629 vacant developed lots and 181 lots currently under construction. Approximately 762 acres of land in the Service Area are currently considered undevelopable, which includes Flewellen Creek, drainage ditches, detention ponds, easements and plant sites. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful or that the parks and greenbelts will be created. See "THE DISTRICT AND THE SERVICE AREA—Land Use."

### **Dependence on Major Taxpayers and the Developers**

The ten principal taxpayers within the Service Area represent \$149,562,073 or 8.10% of the 2020 Gross Certified Assessed Valuation of \$1,892,600,664, which represents ownership in the MUD Participants' boundaries as of January 1, 2020. CCR Texas (including CCR Subsidiary) represents \$30,357,460 or 1.62% of such value. If a developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the Water/Sewer/Drainage Debt Service Fund and the amounts in the Water/Sewer/Drainage Reserve Fund, the ability of the District to make timely payment of debt service on the Water/Sewer/Drainage Contract Revenue Bonds, including the Bonds, could be dependent on the ability of MUD Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a MUD Participant not having sufficient funds to pay its Contract Payments unless it sets a higher tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Water/Sewer/Drainage Debt Service Fund but is required to maintain the Water/Sewer/Drainage Reserve Fund in the amount of the Water/Sewer/Drainage Reserve Requirement, which is an amount equal to one-half of maximum annual debt service on the Bonds, and any additional Water/Sewer/Drainage Contract Revenue Bonds outstanding. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAXING PROCEDURES—Levy and Collection of Taxes" and "APPENDIX A."

The Developers have informed the Board that their current plans are to develop the remaining undeveloped land and to continue marketing the remaining developed lots and land in the Service Area to homebuilders or commercial users. However, none of the Developers nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers or any other landowner within the Service Area to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of any of the Developers or any other landowner. See "THE DEVELOPERS".

## **Operational Expenses**

The Master District is reliant on each MUD Participant to pay the Master District's operating expenses. Each MUD Participant is obligated to pay monthly charges to the Master District for its share of the Master District's operation and maintenance expenses in connection with the Master District's provision of service from the Master District Facilities that are not being fully operated or maintained by the City. The monthly charges to be paid by each MUD Participant to the Master District will be used to pay each MUD Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three (3) months of operation and maintenance expenses. Each MUD Participant's share of operation and maintenance expenses and reserve requirements is based upon a "unit cost" of operation and maintenance expense and reserve requirements, calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each MUD Participant's monthly payment to the Master District for operation and maintenance expenses will be calculated by multiplying the number of equivalent single-family residential connections reserved to each MUD Participant on the first day of the previous month by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to the MUD Participants is presently \$30.00. The Master District Operating Account's only sources of revenue to pay operating expenses are monthly charges paid by the MUD Participants and investment income. See "THE SYSTEM" herein.

## **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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



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

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

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

### **Tax Collections Limitations and Foreclosure Remedies**

The District’s ability to make debt service payments may be adversely affected by one or more MUD Participant’s inability to collect ad valorem taxes necessary to make its Contract Payments. Under Texas law, the levy of ad valorem taxes by each MUD Participant constitutes a lien in favor of the MUD Participant on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. Each MUD Participant’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the MUD Participant and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the MUD Participant will be allocated pro rata among the MUD Participant’s tax obligations (including Water/Sewer/Drainage Contract Payments, Road Contract Payments, maintenance and operation expenses, and debt service for any unlimited tax bonds issued by the MUD Participant). The proceeds of any such sale of property may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANT’S (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within a MUD Participant pursuant to the Federal Bankruptcy Code could stay any attempt by the MUD Participant to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAXING PROCEDURES – MUD Participant’s Rights in the Event of Tax Delinquencies.”

### **Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner’s Rights**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the registered owners of the Bonds (“Registered Owners”) have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, the Water/Sewer/Drainage Indenture provides certain limitations on the right of Registered Owners of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an event of default. See “THE BONDS—Remedies in Event of Default” and “THE INDENTURE OF TRUST—Remedies” and “—Limitation on Action by Owners.” Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from

suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the property of the Master District or property within the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **Future Debt**

Pursuant to the Master District Contract and in connection with the development of the Service Area, the Master District may issue contract revenue bonds in a principal amount not to exceed \$483,000,000 to acquire and construct Master District Water/Sewer/Drainage Facilities and refunding of such bonds; and in a principal amount not to exceed \$121,450,000 to acquire and construct Master District Road Facilities and refunding of such bonds. All of the \$483,000,000 of bonds mentioned above, including the Bonds, and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Water/Sewer/Drainage Facilities, or refunding such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the "Water/Sewer/Drainage Contract Revenue Bonds." All of the \$121,450,000 of bonds mentioned above, and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Road Facilities, or refunding such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the "Road Contract Revenue Bonds." Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount or such \$121,450,000 authorized amount. After the issuance of the Bonds, the Master District will have \$353,450,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued and \$62,335,000 principal amount of Road Contract Revenue Bonds authorized but unissued. The Bonds and all other Water/Sewer/Drainage Contract Revenue Bonds issued by the Master District, will be payable from the Water/Sewer/Drainage Contract Tax and the Road Contract Revenue Bonds will be payable from the Road Contract Tax. The Road Contract Tax and Water/Sewer/Drainage Contract Tax are referred to herein collectively as the "Contract Tax." The Master District anticipates that it will issue additional Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of Water/Sewer/Drainage Contract Revenue Bonds it may issue payable from the Water/Sewer/Drainage Contract Tax, the amount of Road Contract Revenue Bonds it may issue payable from the Road Contract Tax, or other contract revenue bonds it may issue payable from other taxes levied by the MUD Participants.

The issuance of additional Water/Sewer/Drainage Contract Revenue Bonds (other than refunding bonds) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. The TCEQ does not currently have rules in place regulating the review and approval of road bonds issued by districts.

Pursuant to the Master District Contract and in connection with the development of the Service Area, the Master District was originally authorized to pay the capital costs of designing and constructing the regional park/recreational facilities (“Master District Park Facilities”) through either: (1) issuance of contract revenue bonds in a principal amount not to exceed \$237,440,000 to pay for Master District Park Facilities and refund bonds issued for Master District Park Facilities, all of which bonds would be payable from and secured by the MUD Participants’ unconditional obligation to make payments to the Master District from the proceeds of ad valorem taxes levied by the MUD Participants, or (2) park construction charges imposed by the Master District on each MUD Participant based on the number of connections reserved by a MUD Participant. In January, 2012, each MUD Participant executed an amendment to the Master District Contract providing that the Master District will fund Master District Park Facilities through such park construction charges. Accordingly, the Master District is not authorized to issue any of said \$237,440,000 for contract revenue bonds to fund Master District Park Facilities unless the Master District Contract is amended by the MUD Participants in the future to allow it to do so. See “MASTER DISTRICT CONTRACT.”

To date, certain of the Developers have advanced certain funds to or on behalf of the District for construction of facilities for which they have not been reimbursed. Following issuance of the Bonds, the District will owe approximately \$27,246,635 plus interest to such Developers. Included within said \$27,246,635 is approximately \$265,450 attributable to Master District Water/Sewer/Drainage Facilities serving the Service Area, \$7,555,550 attributable to Master District Road Facilities serving the Service Area, and approximately \$19,425,635 attributable to Master District Park Facilities serving the Service Area. The \$265,450 and \$7,555,550 will be paid for by contract revenue bonds to be issued by the Master District; and \$19,425,635 will be paid for by park construction charges funded by bonds to be issued by the MUD Participants or other legally available funds of the MUD Participants. However, reimbursement to the Developers may be limited by the requirement that the outstanding principal amount of bonds issued by any MUD Participant for park/recreational facilities not exceed one percent of the value of the taxable property in that MUD Participant. See “MASTER DISTRICT CONTRACT.” The Master District intends to issue additional contract revenue bonds in order to reimburse the Developers for Master District Water/Sewer/Drainage Facilities and Master District Road Facilities and to develop the remainder of undeveloped but developable land in the boundaries of the MUD Participants. The Service Area is comprised of the District, MUD 170, MUD 171, MUD 172 and MUD 173. There are approximately 373 acres of undeveloped but developable land within the boundaries of the MUD Participants. In addition, future changes in health or environmental regulations could require the issuance of additional bonds to finance the construction of additional improvements without any corresponding increases in taxable value. See “THE BONDS— Issuance of Additional Debt.”

The District, as a MUD Participant, has the right to issue obligations other than the contract revenue bonds, including unlimited tax bonds for the purpose of financing water, sanitary sewer and storm drainage facilities, road and park/recreational facilities that serve land within the District’s boundaries, tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The voters of the District have authorized the issuance of \$48,748,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (and for the purpose of refunding such bonds); \$23,212,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities (and for the purpose of refunding such bonds); and \$10,556,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities (and for the purpose of refunding such bonds), all of which remains authorized but unissued. See “Maximum Impact on Contract Tax Rate” in this section and “THE BONDS—Issuance of Additional Debt.”

### **Marketability of the Bonds**

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

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The Underwriter (defined herein) has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. (“AGM”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

### **Continuing Compliance with Certain Covenants**

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

### **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the District under the Constitution and laws of the State of Texas, payable from the Water/Sewer/Drainage Pledged Revenues, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

### **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth or contemplated in the Preliminary Official Statement, as amended or supplemented through the date of sale. If the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by one rating agency does not and will not in any manner affect the District's financial condition.

## **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds, the Master District Contract, restraining or enjoining the levy, collection and pledge of the funds from which the Bonds are payable; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds or the title of the present officers of the District.

## **TAX MATTERS**

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

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

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

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

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

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

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

## **Tax Accounting Treatment of Original Issue Discount Bonds**

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

## **Not Qualified Tax-Exempt Obligations**

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

## **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the “Underwriter” or “Initial Purchaser”) bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0849% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.647198% as calculated pursuant to Chapter 1204, Texas Government Code.

The delivery of the Bonds is conditional upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB through its EMMA System. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM – Master District Facilities,” “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED),” “TAX DATA,” “APPENDIX A (Certain Financial Information Regarding the MUD Participants) and “APPENDIX B” (Financial Statements of MUD Participants). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (“Rule”). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial

Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District or the MUD Participants, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

### **Compliance with Prior Undertakings**

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.



## MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "BBB-" to the Bonds. An explanation of the ratings may be obtained from S&P.

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

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

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

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### *Capitalization of AGM*

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

### *Miscellaneous Matters*

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

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

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

### Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants. Each consultant has consented to the use of information provided by such firms.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the water, wastewater, drainage, park/recreational and road facilities serving the MUD Participants and, certain information included in the sections entitled "THE DISTRICT AND SERVICE AREA—Description and Location—Status of Development," and "THE SYSTEM" has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this OFFICIAL STATEMENT relating to the historical certified taxable assessed valuations has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including within the boundaries of the MUD Participants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the MUD Participants' assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such entity as experts in assessing property values and collecting taxes.

Independent Auditor: The MUD Participants' financial statements for the fiscal year ended September 30, 2019, were audited by McGrath & Co., PLLC. See "APPENDIX B" for a copy of MUD Participants' audited financial statement.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Operating Fund" has been provided by F.Matuska, Inc., and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of municipal utility districts.

### Updating the Official Statement

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

**Certification of Official Statement**

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

**MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 169, as of the date shown on the cover page.

ATTEST:

/s/ Arden J. Morley  
President, Board of Directors

/s/ Gary Swafford  
Secretary, Board of Directors

**AERIAL LOCATION MAP**

(Approximate boundaries of the Service Area as of April 2020)



CROSS CREEK  
RANCH

FB MUD 173

FB MUD 170

FB MUD 172

FB MUD 169

FB MUD 171

FM. 1093

FB MUD 173

**PHOTOGRAPHS OF THE DISTRICT**  
(Taken April 2020)



















## APPENDIX A

### Certain Financial Information Regarding the MUD Participants

Selected information concerning the MUD Participants is included in this Appendix in addition to certain general information concerning the MUD Participants and their obligation under the Master District Contract contained in the body of the OFFICIAL STATEMENT. See "THE MUD PARTICIPANTS" and "MASTER DISTRICT CONTRACT" therein. Each MUD Participant is severally liable for its Water/Sewer/Drainage Contract Payments in an amount equal to its pro rata share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and severally liable for its Road Contract Payments in an amount equal to its pro rata share of annual debt service requirements on the Road Contract Revenue Bonds. No MUD Participant is liable for more than its share of such debt service. Consequently, the ability of the Master District to make timely payment of principal of and interest: (i) on the Water/Sewer/Drainage Contract Revenue Bonds would be impaired if any MUD Participant does not make its Water/Sewer/Drainage Contract Payments in full when due, unless the funds otherwise available in the Water/Sewer/Drainage Debt Service Fund and Water/Sewer/Drainage Reserve Fund exceeded the amount of such MUD Participant's deficiency; and (ii) on the Road Contract Revenue Bonds would be impaired if any MUD Participant does not make its Road Contract Payments in full when due, unless the funds otherwise available in the Road Debt Service Fund and Road Reserve Fund exceeded the amount of such MUD Participant's deficiency.

#### **Certain Calculations**

The information concerning the debt burden of the MUD Participants makes reference to the principal amount of each MUD Participant's pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds, each MUD Participant's outstanding unlimited tax bonds, if any, and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt: The principal amount of each MUD Participant's Master District Contract debt for the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds has been calculated for purposes of analysis by allocating the principal amount of the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds among the MUD Participants in proportion to their assessed valuation. The assessed valuations used for this calculation are based on the January 1, 2020 Certified Gross Assessed Value of \$1,892,600,664 (\$1,875,268,974 of certified value and \$17,331,690 of uncertified value, which represents 85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173). The MUD Participants' share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds will be determined annually by reference to their relative certified assessed valuations established by the Fort Bend Central Appraisal District.

Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any Water/Sewer/Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Road Contract Revenue Bonds; or (ii) fund or maintain the Road Reserve Fund.

Tax Rate Calculations: Tax rate calculations assume that each MUD Participant's assessed valuation does not change from the Certified Gross Assessed Value as of January 1, 2020, of \$1,892,600,664 (\$1,875,268,974 of certified value and \$17,331,690 of uncertified value) and that each MUD Participant collects ninety-five percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional contract revenue bonds.



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

(In its Capacity as a MUD Participant)

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$48,748,000	
Voter Authorized Unlimited Tax Road Bonds .....	\$10,556,000	
Voter Authorized Unlimited Tax Park Bonds .....	\$23,212,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date .....	\$0	
Debt Service Tax Limitation .....	Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50	
Maintenance Tax for Road Facilities Limitation.....	\$0.25	
Contract Tax Limitation .....	Unlimited	
Gross Outstanding Direct Debt .....	\$0	
2020 Certified Gross Assessed Valuation .....	\$7,417,330	
2020 Certified Gross Assessed Valuation as a Percentage of		
2020 Certified Gross Assessed Valuation of all MUD Participants.....	0.39%	(a)

Average Annual Debt Service:

Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021-2045) ..... \$35,837

Maximum Annual Debt Service:

Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021) ..... \$46,837

Tax Rate Required to Pay Pro Rata Share of the Outstanding

Contract Revenue Bonds and the Bonds Based on 2020 Certified Gross Assessed Value

Average Annual Debt Service:

Outstanding Contract Revenue Bonds and the Bonds (2021-2045)..... \$0.51

Maximum Annual Debt Service:

Outstanding Contract Revenue Bonds and the Bonds (2021)..... \$0.67

**Status of Development as of September 29, 2020**

Acreage .....	321
Total Active Single-Family Connections.....	0
Total Developed Lots .....	0

(a) Calculated based on certified value of \$1,875,268,974 and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173).

**Principal Taxpayers:**

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2020 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
CCR Texas Holdings LP	Land	\$ 7,412,330	99.93%
Individual	Land	1,000	0.01%
Individual	Land	1,000	0.01%
Individual	Land	1,000	0.01%
Individual	Land	1,000	0.01%
Individual	Land	1,000	0.01%
Total		<u>\$7,417,330</u>	<u>100.00%</u>

**Tax Rate Distribution:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
Contract	\$0.69500	\$0.69500	\$0.68500	\$0.68500	\$0.67500
Maintenance	<u>\$0.64899</u>	<u>\$0.64720</u>	<u>\$0.65338</u>	<u>\$0.65338</u>	<u>\$0.66338</u>
	\$1.34399	\$1.34220	\$1.33838	\$1.33838	\$1.33838

**Historical Tax Collections:**

<u>Tax Year</u>	Net Certified Taxable Assessed Valuation (a)	<u>Tax Rate</u>	Total <u>Tax Levy (b)</u>	<u>Total Collections as of August 31, 2020 (c)</u>	
				<u>Amount</u>	<u>Percent</u>
2015	\$ 6,323,860	\$ 1.33926	\$ 84,693	\$ 84,693	100.00%
2016	6,323,120	1.34399	84,982	84,982	100.00%
2017	7,892,274	1.34220	105,930	99,140	93.59%
2018	7,386,360	1.33838	98,858	98,858	100.00%
2019	7,384,220	1.33838	98,829	98,829	100.00%

- (a) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted.  
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of August 31, 2020.  
(c) Unaudited.

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

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$126,140,000
Voter Authorized Unlimited Tax Road Bonds .....	\$ 50,400,000
Voter Authorized Unlimited Tax Park Bonds .....	\$ 69,860,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 18,535,000 (a)
Debt Service Tax Limitation .....	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50
Maintenance Tax for Road Facilities Limitation.....	\$0.25
Contract Tax Limitation .....	Unlimited
Gross Outstanding Direct Debt .....	\$17,475,000 (a)

2020 Certified Gross Assessed Valuation .....	\$272,568,337 (b)
Estimated Assessed Value as of August 1, 2020 .....	\$293,205,948 (c)

2020 Certified Gross Assessed Valuation as a Percentage of 2020 Certified Gross Assessed Valuation of all MUD Participants.....	14.40% (d)
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Average Annual Debt Service:	
Direct Debt (2021-2045) .....	\$1,065,259 (e)
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$1,316,908

Maximum Annual Debt Service:	
Direct Debt (2024) .....	\$1,159,438 (e)
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021) .....	\$1,721,155

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the  
Outstanding Contract Revenue Bonds and the Bonds  
Based on 2020 Certified Gross Assessed Value

Average Annual Debt Service:	
Direct Debt (2021- 2045) .....	\$0.42
Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	<u>\$0.51</u>
Total .....	\$0.93

Maximum Annual Debt Service:	
Direct Debt (2044) .....	\$0.45
Outstanding Contract Revenue Bonds and the Bonds (2021) .....	<u>\$0.67</u>
Total .....	\$1.12

Status of Development as of September 29, 2020:

Acreage .....	848
Total Active Single-Family Connections Completed and Under Construction .....	855
Total Developed Lots .....	1,550
Total Commercial Development (28 acres).....	170 ESFCs

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- (a) Includes \$3,000,000 principal amount of unlimited tax bonds scheduled to close on November 10, 2020 (the "Series 2020 Bonds").
  - (b) Includes certified value of \$270,285,131 and \$2,283,206 of uncertified value (85% of the uncertified value provided by the Appraisal District).
  - (c) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
  - (d) Calculated based on certified value of \$1,875,268,974 and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173).
  - (e) Includes debt service requirements for outstanding bonds and debt service requirements on the Series 2020 Bonds.

**Principal Taxpayers:**

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2020 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Taylor Morrison of Texas Inc.	Land and improvements	\$ 11,119,170	4.11%
Marcel Town Center Cross Creek LLC	Land and improvements	9,818,750	3.63%
Greenhouse 15 LLC	Land	4,512,930	1.67%
CCR Loan Subsidiary 1 LP	Land	3,557,330	1.32%
CCR Texas Holdings LP	Land	3,486,230	1.29%
Darling Homes of Texas LLC	Land and improvements	2,901,190	1.07%
Chesmar Homes Ltd.	Land and improvements	2,205,710	0.82%
Perry Homes LLC	Land and improvements	2,100,590	0.78%
Highland Homes Houston LLC	Land and improvements	1,122,000	0.42%
Brazos Valley Schools Credit Union	Land and improvements	933,060	0.35%
<b>Total</b>		<b>\$ 41,756,960</b>	<b>15.45%</b>

**Tax Rate Distribution:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$0.36000	\$0.40000	\$0.36750	\$0.36750	\$0.36000
Contract	\$0.69500	\$0.69500	\$0.67250	\$0.66500	\$0.68500
Maintenance	<u>\$0.28899</u>	<u>\$0.24720</u>	<u>\$0.29838</u>	<u>\$0.30588</u>	<u>\$0.29338</u>
	\$1.34399	\$1.34220	\$1.33838	\$1.33838	\$1.33838

**Historical Tax Collections:**

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>		<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>		<u>Total Collections as of August 31, 2020 (c)</u>	
						<u>Amount</u>	<u>Percent</u>
2015	\$	78,046,638	\$ 1.33926	\$	1,045,247	\$ 1,045,247	100.00%
2016		102,263,100	1.34399		1,374,406	1,374,406	100.00%
2017		123,948,751	1.34220		1,663,640	1,663,640	100.00%
2018		169,009,015	1.33838		2,261,983	2,261,983	100.00%
2019		211,074,924	1.33838		2,824,985	2,821,095	99.86%

- (a) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of August 31, 2020.
- (c) Unaudited.

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

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$68,558,000
Voter Authorized Unlimited Tax Road Bonds .....	\$17,150,000
Voter Authorized Unlimited Tax Park Bonds .....	\$37,100,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date .....	\$ 16,435,000
Debt Service Tax Limitation .....	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$ 1.50
Maintenance Tax for Road Facilities Limitation.....	\$ 0.25
Contract Tax Limitation .....	Unlimited
Gross Outstanding Direct Debt .....	\$13,160,000

2020 Certified Gross Assessed Valuation .....	\$394,457,891	(a)
Estimated Assessed Value as of August 1, 2020.....	\$394,482,650	(b)

2020 Certified Gross Assessed Valuation a Percentage of	
2020 Certified Gross Assessed Valuation of all MUD Participants.....	20.84% (c)

Average Annual Debt Service:	
Direct Debt (2021-2038) .....	\$ 946,680
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$1,905,814

Maximum Annual Debt Service:	
Direct Debt (2034) .....	\$1,153,475
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021) .....	\$2,490,837

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding  
Contract Revenue Bonds and the Bonds Based on 2020 Certified Gross Assessed Value

Average Annual Debt Service:	
Direct Debt (2021-2038).....	\$0.26
Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$0.51
Total.....	\$0.77
Maximum Annual Debt Service:	
Direct Debt (2034).....	\$0.31
Outstanding Contract Revenue Bonds and the Bonds (2021).....	\$0.67
Total.....	\$0.98

Status of Development as of September 29, 2020:

Acreage .....	576
Total Active Single-Family Connections Completed and Under Construction .....	899
Total Developed Lots .....	899
Total Commercial Development (43 acres).....	117 ESFCs (d)

- (a) Includes certified value of \$392,557,350 and \$1,900,541 of uncertified value (85% of the uncertified value provided by the Appraisal District).
- (b) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (c) Calculated based on certified value of \$1,875,268,974 and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173).
- (d) 29 of such Equivalent Single-Family Connections (approximately 33 acres) are attributable to a church that is exempt from property taxes.

**Principal Taxpayers:**

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2020 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
CCR Texas Holdings LP	Land	\$ 8,466,810	2.16%
CCR Loan Subsidiary 1 LP	Land	3,427,790	0.87%
Alders at Cross Creek Property	Land	3,322,700	0.85%
CALCAM LLP	Personal Property	2,116,820	0.54%
Cesu Investments LLC	Land	952,090	0.24%
Individual	Land and improvements	809,750	0.21%
Individual	Land and improvements	783,680	0.20%
Individual	Land and improvements	765,470	0.19%
Individual	Land and improvements	750,680	0.19%
Individual	Land and improvements	738,200	0.19%
Total		\$ 13,667,180	5.64%

**Tax Rate Distribution:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$0.26000	\$0.28250	\$0.27000	\$0.23500	\$0.21500
Contract	\$0.69500	\$0.69500	\$0.69500	\$0.69500	\$0.69500
Maintenance	<u>\$0.16500</u>	<u>\$0.14000</u>	<u>\$0.14150</u>	<u>\$0.14420</u>	<u>\$0.16000</u>
	\$1.12000	\$1.11750	\$1.10650	\$1.07420	\$1.07000

**Historical Tax Collections:**

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>		<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>	<u>Total Collections as of August 31, 2020 (c)</u>	
					<u>Amount</u>	<u>Percent</u>
2015	\$	363,236,758	\$ 1.16000	\$ 4,213,546	\$ 4,213,546	100.00%
2016		377,402,795	1.12000	4,226,911	4,226,911	100.00%
2017		361,464,042	1.11750	4,039,249	4,039,249	100.00%
2018		362,228,599	1.10650	4,008,059	4,004,266	99.91%
2019		371,674,634	1.07420	3,992,529	3,981,595	99.73%

(a) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of August 31, 2020.

(c) Unaudited.

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

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$171,878,000	
Voter Authorized Unlimited Tax Road Bonds .....	\$ 31,710,000	
Voter Authorized Unlimited Tax Park Bonds .....	\$ 80,640,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 34,745,000(a)	
Debt Service Tax Limitation .....	Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation .....	\$1.50	
Maintenance Tax for Road Facilities Limitation.....	\$0.25	
Contract Tax Limitation .....	Unlimited	
Gross Outstanding Direct Debt .....	\$ 31,430,000 (a)	
2020 Certified Gross Assessed Value .....	\$708,286,502	(b)
Estimate of Value as of August 1, 2020 .....	\$740,810,765	(c)
2020 Certified Gross Assessed Valuation as a Percentage of		
2020 Certified Gross Assessed Valuation of all MUD Participants .....	38.62%	(d)
Average Annual Debt Service:		
Direct Debt (2021-2043) .....	\$1,988,071 (e)	
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$3,422,070	
Maximum Annual Debt Service:		
Direct Debt (2033).....	\$2,278,869 (e)	
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021).....	\$4,472,533	
Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding Contract		
Revenue Bonds and the Bonds Based on 2020 Certified Gross Assessed Value		
Average Annual Debt Service:		
Direct Debt (2021-2043) .....	\$0.30	
Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$0.51	
Total .....	\$0.81	
Maximum Annual Debt Service:		
Direct Debt (2033) .....	\$0.34	
Outstanding Contract Revenue Bonds and the Bonds (2021) .....	\$0.67	
Total .....	\$1.01	
<u>Status of Development as of September 29, 2020</u>		
Acreage .....	910	
Total Active Single-Family Connections Completed and Under Construction .....	1,533	
Total Developed Lots.....	1,648	
Total Commercial Development (36 acres).....	191 ESFCs (f)	

- (a) Includes \$1,480,000 principal amount of unlimited tax bonds expected to be issued in December 2020 (the "Series 2020 Bonds").
- (b) Includes certified value of \$700,504,430 and \$7,782,072 of uncertified value (85% of the uncertified value provided by the Appraisal District).
- (c) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (d) Calculated based on certified value of \$1,875,268,974 and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173).
- (e) Includes debt service requirements for outstanding bonds and estimated debt service requirements on the Series 2020 Bonds at an estimated interest rate of 4.75%.
- (f) 29 of such Equivalent Single-Family Connections (approximately 14 acres) are attributable to a school that is exempt from property taxes.

**Principal Taxpayers:**

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2020 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
Trendmaker Homes Inc.	Land, improvements and Personal Property	\$ 8,224,360	1.17%
Cross Creek Commons - Partnership	Land and improvements	7,973,545	1.14%
CCR Loan Subsidiary 1 LP	Land and improvements	4,006,970	0.57%
Cross Creek Corner 2 LLC	Land and improvements	3,834,120	0.55%
Cross Creek Corner 1 LLC	Land and improvements	3,834,120	0.55%
Algonquin Cross Creek LLC	Land and improvements	2,405,370	0.34%
H&V Properties LLC	Land	2,291,042	0.33%
Perry Nomes LLC	Land and improvements	2,129,680	0.30%
Southpaw Holdings at Fulshear LLC	Land and improvements	1,959,881	0.28%
Newmark Homes Houston LLC	Land and improvements	1,796,330	0.26%
<b>Total</b>		<b>\$ 38,455,418</b>	<b>5.49%</b>

**Tax Rate Distribution):**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$0.29000	\$0.29500	\$0.29500	\$0.29500	\$0.26500
Contract	\$0.69500	\$0.69500	\$0.69500	\$0.69500	\$0.69500
Maintenance	<u>\$0.23000</u>	<u>\$0.19500</u>	<u>\$0.17000</u>	<u>\$0.14500</u>	<u>\$0.13000</u>
	\$1.21500	\$1.18500	\$1.16000	\$1.13500	\$1.09000

**Historical Tax Collections:**

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>		<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>	<u>Total Collections as of August 31, 2020 (c)</u>	
					<u>Amount</u>	<u>Percent</u>
2015	\$	409,781,650	\$ 1.28180	\$ 5,252,581	\$ 5,252,581	100.00%
2016		517,644,372	1.21500	6,289,379	6,284,827	99.93%
2017		542,187,757	1.18500	6,431,729	6,427,611	99.94%
2018		565,392,493	1.16000	6,565,214	6,555,528	99.85%
2019		614,269,235	1.13500	6,978,473	6,955,099	99.67%

- (a) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of August 31, 2020.
- (c) Unaudited.



**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 173**

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$103,376,000
Voter Authorized Unlimited Tax Road Bonds .....	\$ 24,430,000
Voter Authorized Unlimited Tax Park Bonds .....	\$ 45,920,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 22,450,000
Debt Service Tax Limitation .....	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50
Maintenance Tax for Road Facilities Limitation.....	\$0.25
Contract Tax Limitation .....	Unlimited
Gross Outstanding Direct Debt .....	\$ 21,485,000

2020 Certified Gross Assessed Valuation .....	\$509,870,605	(a)
Estimate of Value as of August 1, 2020 .....	\$536,054,801	(b)

2020 Certified Gross Assessed Valuation as a Percentage of	
2020 Certified Gross Assessed Valuation of all MUD Participants.....	26.94% (c)

Average Annual Debt Service:

Direct Debt (2021-2045) .....	\$1,330,771
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$2,463,428

Maximum Annual Debt Service:

Direct Debt (2030) .....	\$1,367,325
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2021) .....	\$3,219,620

**Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds Based on 2020 Certified Gross Value**

Average Annual Debt Service:

Direct Debt (2021-2045) .....	\$0.28
Outstanding Contract Revenue Bonds and the Bonds (2021-2045) .....	\$0.51
Total .....	\$0.79

Maximum Annual Debt Service:

Direct Debt (2030) .....	\$0.29
Outstanding Contract Revenue Bonds and the Bonds (2021) .....	\$0.67
Total .....	\$0.96

**Status of Development as of September 29, 2020**

Acreage .....	638
Total Active Single-Family Connections (completed and under construction).....	1,006
Total Developed Lots .....	1,006
Total Active Multi-Family Connections (22 acres).....	156
Total Commercial Development (190 acres).....	499 ESFCs (d)

- (a) Includes certified value of \$504,504,733 and \$5,365,872 of uncertified value (85% of the uncertified value provided by the Appraisal District).
- (b) The Appraisal District has provided an estimated valuation as of August 1, 2020 for informational purposes, which was calculated by updating the certified 2020 Assessed value provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2020 to August 1, 2020. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (c) Calculated based on certified value of \$1,875,268,974 and \$17,331,690 of uncertified value (85% of the uncertified value provided by the Appraisal District for MUD Nos. 170, 171, 172 and 173).
- (d) 132 of such Equivalent Single-Family Connections (approximately 125 acres) are attributable to schools that are exempt from property taxes.

**Principal Taxpayers:**

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2020 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Taxable Assessed Valuation</u>	<u>% of 2020 Certified Taxable Assessed Valuation</u>
CCR 21 LLC	Land and improvements	\$ 37,347,910	7.40%
HEB Grocery Company LP	Land, improvements and Personal Property	23,333,090	4.62%
Landmark Industries	Land and improvements	11,686,860	2.32%
Fulshear Bend Self Storage	Land and improvements	9,700,928	1.92%
RK CCR Phase I LLC	Land and improvements	6,222,171	1.23%
Clinard Properties 6 LLC	Land and improvements	5,863,270	1.16%
Texas Petroleum Group LLC	Land and improvements	5,007,610	0.99%
Yurdy LLC	Land and improvements	4,670,860	0.93%
1463 Realty Holding LLC	Land and improvements	3,744,370	0.74%
Shops at Cross Creek II LLC	Land and improvements	3,363,190	0.67%
Total		\$ 110,940,259	21.99%

**Tax Rate Distribution :**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$0.00000	\$0.27500	\$0.33000	\$0.35500	\$0.30000
Contract	\$0.69500	\$0.69500	\$0.70500	\$0.67500	\$0.71500
Maintenance	<u>\$0.64899</u>	<u>\$0.37220</u>	<u>\$0.30338</u>	<u>\$0.30838</u>	<u>\$0.25500</u>
	\$1.34399	\$1.34220	\$1.33838	\$1.33838	\$1.27000

**Historical Tax Collections:**

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>		<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>	<u>Total Collections as of August 31, 2020 (c)</u>	
	<u>\$</u>				<u>\$</u>	<u>Amount</u>
2015	\$ 32,667,773		\$ 1.33926	\$ 437,506	\$ 437,506	100.00%
2016	85,251,571		1.34399	1,145,773	1,144,832	99.92%
2017	171,051,628		1.34220	2,295,855	2,294,895	99.96%
2018	254,192,692		1.33838	3,402,064	3,398,206	99.89%
2019	383,646,792		1.33838	5,134,652	5,126,762	99.85%

- (a) Net valuation represents final gross assessed value as certified by the Appraisal District less any exemptions granted.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of August 31, 2020.
- (c) Unaudited.

## **APPENDIX B**

### Financial Statements of MUD Participants

Financial Statement of the District for the year ended September 30, 2019  
Financial Statement of MUD 170 for the year ended September 30, 2019  
Financial Statement of MUD 171 for the year ended September 30, 2019  
Financial Statement of MUD 172 for the year ended September 30, 2019  
Financial Statement of MUD 173 for the year ended September 30, 2019

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

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2019**



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# McGRATH & CO., PLLC

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

## Independent Auditors' Report

Board of Directors  
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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



***Board of Directors  
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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

*W.C. Grath & Co, P.C.C.*

Houston, Texas  
January 6, 2020

## **Management's Discussion and Analysis**

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***Fort Bend County Municipal Utility District No. 169  
Management's Discussion and Analysis  
September 30, 2019***

## **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, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 169**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2019, was negative \$65,749,234. 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, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 22,638,391	\$ 19,233,429
Capital assets	71,160,971	69,777,746
Total assets	<u>93,799,362</u>	<u>89,011,175</u>
 Total deferred outflows of resources	 <u>446,754</u>	 <u>246,699</u>
 Current liabilities	 14,506,366	 17,079,292
Long-term liabilities	145,488,984	134,979,792
Total liabilities	<u>159,995,350</u>	<u>152,059,084</u>
 Net position		
Net investment in capital assets	(12,870,201)	(9,161,242)
Restricted	14,453,076	12,402,265
Unrestricted	<u>(67,332,109)</u>	<u>(66,042,233)</u>
Total net position	<u>\$ (65,749,234)</u>	<u>\$ (62,801,210)</u>

**Fort Bend County Municipal Utility District No. 169**  
**Management's Discussion and Analysis**  
**September 30, 2019**

The total net position of the District decreased during the current fiscal year by \$2,948,024. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes	\$ 106,654	\$ 106,958
Contract taxes from participants	9,025,849	8,120,412
Master District fees	1,820,370	1,602,600
Capacity charges		1,731,819
Other	349,374	175,349
Total revenues	<u>11,302,247</u>	<u>11,737,138</u>
Expenses		
Operating and administrative	1,401,836	1,252,396
Debt interest and fees	4,963,150	3,992,239
Developer interest	3,613,473	783,388
Debt issuance costs	2,689,124	824,344
Depreciation	1,777,909	1,688,453
Total expenses	<u>14,445,492</u>	<u>8,540,820</u>
Change in net position before other items	(3,143,245)	3,196,318
Other items		
Change in estimate of due to developers	2,314,017	
Park connection charges		1,122,418
Transfers to other governments	(2,118,796)	(5,589,644)
Change in net position	(2,948,024)	(1,270,908)
Net position, beginning of year	<u>(62,801,210)</u>	<u>(61,530,302)</u>
Net position, end of year	<u>\$ (65,749,234)</u>	<u>\$ (62,801,210)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2019, were \$22,137,712, which consists of negative \$5,267 in the General Fund, \$15,918,763 in the Debt Service Fund, \$4,453,580 in the Capital Projects Fund, and \$1,770,636 in the Special Revenue Fund.

**Fort Bend County Municipal Utility District No. 169**  
**Management's Discussion and Analysis**  
**September 30, 2019**

*General Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 8,450</u>	<u>\$ 11,218</u>
Total liabilities	\$ 13,717	\$ 8,075
Total fund balance	<u>(5,267)</u>	<u>3,143</u>
Total liabilities and fund balance	<u>\$ 8,450</u>	<u>\$ 11,218</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 44,698	\$ 51,588
Total expenditures	<u>(53,108)</u>	<u>(52,835)</u>
Revenues under expenditures	<u>\$ (8,410)</u>	<u>\$ (1,247)</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 in the District have remained fairly consistent from year to year.

*Debt Service Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 15,928,043</u>	<u>\$ 13,739,729</u>
Total liabilities	\$ 9,280	\$ 29
Total fund balance	<u>15,918,763</u>	<u>13,739,700</u>
Total liabilities and fund balance	<u>\$ 15,928,043</u>	<u>\$ 13,739,729</u>

**Fort Bend County Municipal Utility District No. 169**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 9,320,350	\$ 8,287,992
Total expenditures	<u>(9,035,057)</u>	<u>(6,837,511)</u>
Revenues over expenditures	285,293	1,450,481
Other changes in fund balance	<u>1,893,770</u>	<u>107,815</u>
Net change in fund balance	<u>\$ 2,179,063</u>	<u>\$ 1,558,296</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues, contract tax revenues, 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, in its capacity as a participating district, sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District, in its capacity as Master District, issued \$13,245,000 in refunding bonds to refund \$12,455,000 of its outstanding Series 2010 and Series 2011 bonds. This refunding will save the District \$2,779,057 in future debt service requirements.

*Capital Projects Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 4,466,601</u>	<u>\$ 4,274,530</u>
Total liabilities	\$ 13,021	\$ 11,677
Total fund balance	<u>4,453,580</u>	<u>4,262,853</u>
Total liabilities and fund balance	<u>\$ 4,466,601</u>	<u>\$ 4,274,530</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 101,025	\$ 1,793,333
Total expenditures	<u>(23,153,722)</u>	<u>(24,220,334)</u>
Revenues under expenditures	(23,052,697)	(22,427,001)
Other changes in fund balance	<u>23,243,424</u>	<u>21,154,603</u>
Net change in fund balance	<u>\$ 190,727</u>	<u>\$ (1,272,398)</u>



**Fort Bend County Municipal Utility District No. 169  
 Management’s Discussion and Analysis  
 September 30, 2019**

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 2018 Contract Revenue Road Bonds, Series 2018A Contract Revenue Bonds and Series 2019 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2017B Contract Revenue Bonds, Series 2018 Bond Anticipation Note, surplus funds from contract revenue bonds issued in previous years, and park connection charges received from participating districts in the prior year.

*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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,235,297</u>	<u>\$ 1,207,952</u>
Total liabilities	\$ 464,661	\$ 152,076
Total fund balance	<u>1,770,636</u>	<u>1,055,876</u>
Total liabilities and fund balance	<u>\$ 2,235,297</u>	<u>\$ 1,207,952</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,836,174	\$ 1,604,225
Total expenditures	<u>(1,121,414)</u>	<u>(1,052,582)</u>
Revenues over expenditures	<u>\$ 714,760</u>	<u>\$ 551,643</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 \$8,410 less than budgeted. The *Budgetary Comparison Schedule* on page 44 of this report provides variance information per financial statement line item.

**Fort Bend County Municipal Utility District No. 169**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 39,503,563</u>	<u>\$ 39,746,732</u>
Capital assets being depreciated		
Infrastructure	16,733,432	14,432,335
Recreational and other facilities	<u>22,881,573</u>	<u>22,110,493</u>
	<u>39,615,005</u>	<u>36,542,828</u>
Less accumulated depreciation		
Infrastructure	(1,811,564)	(1,439,708)
Recreational and other facilities	<u>(6,146,033)</u>	<u>(5,072,106)</u>
	<u>(7,957,597)</u>	<u>(6,511,814)</u>
Depreciable capital assets, net	<u>31,657,408</u>	<u>30,031,014</u>
Capital assets, net	<u>\$ 71,160,971</u>	<u>\$ 69,777,746</u>

Capital asset additions during the current year include the following:

- Cross Creek Ranch Lift Station No. 1 final upgrade
- Non-potable waterline for West Cross Creek Bend Lane Extension No. 4
- Non-potable waterline for Fulshear Bend Drive Extension No. 3
- Non-potable waterline for Jade Springs Lane Street Dedication
- Linear detention pond along western property line south of Morgan Spur
- Land acquisitions for Master District facilities
- Landscaping projects within the Master District service area

During the current year, the District revised its estimate of the amounts due to developers for certain capital assets and adjusted the values of those assets accordingly. See Note 7 for additional information.

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

**Fort Bend County Municipal Utility District No. 169  
 Management’s Discussion and Analysis  
 September 30, 2019**

accepted such facilities for operation and maintenance. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2019, capital assets in the amount of \$2,118,796 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, 2019, the District owes \$22,141,122 to developers for completed projects and operating advances. The initial cost of the completed projects and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$23,097,498 for projects under construction. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

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

Series	2019	2018
2009	\$ 110,000	\$ 210,000
2010	185,000	5,990,000
2011	220,000	7,245,000
2011A	3,765,000	3,860,000
2012	10,185,000	10,460,000
2013	10,745,000	11,035,000
2014	8,080,000	8,275,000
2015	13,150,000	13,750,000
2015A	6,900,000	7,250,000
2016	9,700,000	10,250,000
2017	14,620,000	15,320,000
2017A Refunding	2,455,000	2,455,000
2017B	8,100,000	8,440,000
2018 Roads	5,570,000	
2018A	23,000,000	
2019 Refunding	13,245,000	
	\$ 130,030,000	\$ 104,540,000

During the year, the District issued \$5,570,000 in contract revenue bonds for road facilities, \$23,000,000 in contract revenue bonds for water, sewer and drainage facilities, and \$13,245,000 in contract revenue refunding bonds. At September 30, 2019, the District, in its capacity as a Master District, had \$384,605,000 authorized, but unissued for regional water, sewer and drainage facilities and for refunding said bonds and \$79,410,000 for road facilities and refunding of said bonds.

**Fort Bend County Municipal Utility District No. 169  
 Management’s Discussion and Analysis  
 September 30, 2019**

At September 30, 2019, 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 current year, the District issued a \$7,420,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The BAN was repaid subsequent to fiscal year end 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:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 44,698	\$ 46,000
Total expenditures	<u>(53,108)</u>	<u>(45,650)</u>
Revenues over/(under) expenditures	(8,410)	350
Beginning fund balance	<u>3,143</u>	<u>(5,267)</u>
Ending fund balance	<u><u>\$ (5,267)</u></u>	<u><u>\$ (4,917)</u></u>

**Property Taxes**

The District’s property tax base decreased approximately \$2,100 for the 2019 tax year from \$7,968,880 to \$7,966,740. For the 2019 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 2018 tax year were \$0.65338 per \$100 for maintenance and operations and \$0.685 per \$100 for contract tax for a combined total of \$1.33838 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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
<b>Assets</b>					
Cash	\$ 3,310	\$ 5,168	\$ -	\$ 910,540	\$ 919,018
Investments		10,858,835	4,466,601	1,046,078	16,371,514
Internal balances	5,140	8,157		(13,297)	
Other receivables				229,292	229,292
Prepaid items				25,345	25,345
Restricted investments				37,339	37,339
Investments with fiscal agent		5,055,883			5,055,883
Capital assets not being depreciated					
Capital assets, net					
<b>Total Assets</b>	<b>\$ 8,450</b>	<b>\$ 15,928,043</b>	<b>\$ 4,466,601</b>	<b>\$ 2,235,297</b>	<b>\$ 22,638,391</b>
<b>Deferred Outflows of Resources</b>					
Deferred difference on refunding					
<b>Liabilities</b>					
Accounts payable	\$ 13,499	\$ -	\$ 13,021	\$ 464,443	\$ 490,963
Other payables	218	29		218	465
Accrued interest payable		9,251			9,251
Bond anticipation note payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
<b>Total Liabilities</b>	<b>13,717</b>	<b>9,280</b>	<b>13,021</b>	<b>464,661</b>	<b>500,679</b>
<b>Fund Balances/Net Position</b>					
<b>Fund Balances</b>					
Nonspendable				25,345	25,345
Restricted		15,918,763	4,453,580		20,372,343
Committed				1,745,291	1,745,291
Unassigned	(5,267)				(5,267)
<b>Total Fund Balances</b>	<b>(5,267)</b>	<b>15,918,763</b>	<b>4,453,580</b>	<b>1,770,636</b>	<b>22,137,712</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,450</b>	<b>\$ 15,928,043</b>	<b>\$ 4,466,601</b>	<b>\$ 2,235,297</b>	<b>\$ 22,638,391</b>
<b>Net Position</b>					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
<b>Total Net Position</b>					

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ -	\$ 919,018
	16,371,514
	229,292
	25,345
	37,339
	5,055,883
39,503,563	39,503,563
<u>31,657,408</u>	<u>31,657,408</u>
<u>71,160,971</u>	<u>93,799,362</u>
<u>446,754</u>	<u>446,754</u>
	490,963
	465
1,465,687	1,474,938
7,420,000	7,420,000
22,141,122	22,141,122
5,120,000	5,120,000
<u>123,347,862</u>	<u>123,347,862</u>
<u>159,494,671</u>	<u>159,995,350</u>
(25,345)	
(20,372,343)	
(1,745,291)	
5,267	
<u>(22,137,712)</u>	
(12,870,201)	(12,870,201)
14,453,076	14,453,076
<u>(67,332,109)</u>	<u>(67,332,109)</u>
<u>\$ (65,749,234)</u>	<u>\$ (65,749,234)</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, 2019*

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
<b>Revenues</b>					
Property taxes	\$ 44,687	\$ 61,967	\$ -	\$ -	\$ 106,654
Contract tax from participants		9,025,849			9,025,849
Master District fees				1,820,370	1,820,370
Investment earnings	11	232,534	101,025	15,804	349,374
<b>Total Revenues</b>	<b>44,698</b>	<b>9,320,350</b>	<b>101,025</b>	<b>1,836,174</b>	<b>11,302,247</b>
<b>Expenditures/Expenses</b>					
Operating and administrative					
Professional fees	37,136		209,903	191,795	438,834
Contracted services	5,790			21,512	27,302
Repairs and maintenance				419,762	419,762
Utilities				24,538	24,538
Regional water authority fees				289,266	289,266
Administrative	10,182	7,411		18,541	36,134
Other			10,000		10,000
Lease				156,000	156,000
Capital outlay			17,054,109		17,054,109
Debt service					
Principal		3,870,000			3,870,000
Interest and fees		4,632,761	101,998		4,734,759
Developer interest			3,613,473		3,613,473
Debt issuance costs		524,885	2,164,239		2,689,124
Depreciation					
<b>Total Expenditures/Expenses</b>	<b>53,108</b>	<b>9,035,057</b>	<b>23,153,722</b>	<b>1,121,414</b>	<b>33,363,301</b>
<b>Revenues Over (Under)</b>					
<b>Expenditures/Expenses</b>	<b>(8,410)</b>	<b>285,293</b>	<b>(23,052,697)</b>	<b>714,760</b>	<b>(22,061,054)</b>
<b>Other Financing Sources/(Uses)</b>					
Proceeds from sale of bonds		1,046,576	27,523,424		28,570,000
Proceeds from bond anticipation note			7,420,000		7,420,000
Proceeds from sale of refunding bonds		13,245,000			13,245,000
Repayment of bond anticipation note			(11,700,000)		(11,700,000)
Payment to refunded bond escrow agent		(12,397,806)			(12,397,806)
<b>Other Items</b>					
Change in estimate of due to developers					
Transfers to other governments					
<b>Net Change in Fund Balances</b>	<b>(8,410)</b>	<b>2,179,063</b>	<b>190,727</b>	<b>714,760</b>	<b>3,076,140</b>
<b>Change in Net Position</b>					
Fund Balance/Net Position					
Beginning of the year	3,143	13,739,700	4,262,853	1,055,876	19,061,572
<b>End of the year</b>	<b>\$ (5,267)</b>	<b>\$15,918,763</b>	<b>\$ 4,453,580</b>	<b>\$ 1,770,636</b>	<b>\$22,137,712</b>

See notes to basic financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 106,654
	9,025,849
	1,820,370
	<u>349,374</u>
	<u>11,302,247</u>
	438,834
	27,302
	419,762
	24,538
	289,266
	36,134
	10,000
	156,000
(17,054,109)	
(3,870,000)	
228,391	4,963,150
	3,613,473
	2,689,124
<u>1,777,909</u>	<u>1,777,909</u>
<u>(18,917,809)</u>	<u>14,445,492</u>
18,917,809	(3,143,245)
(28,570,000)	
(7,420,000)	
(13,245,000)	
11,700,000	
12,397,806	
2,314,017	2,314,017
<u>(2,118,796)</u>	<u>(2,118,796)</u>
(3,076,140)	
(2,948,024)	(2,948,024)
<u>(81,862,782)</u>	<u>(62,801,210)</u>
<u>\$ (87,886,946)</u>	<u>\$ (65,749,234)</u>

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***Fort Bend County Municipal Utility District No. 169***  
***Notes to Basic Financial Statements***  
***September 30, 2019***

**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 (“GASB”). The following is a summary of the most significant policies:

**Creation**

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

**Government-Wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District’s 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. 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 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 regional water, sewer, drainage and road facilities serving the Master District service area.
- The Special Revenue Fund is used to account for revenues received from participating districts that are restricted to expenditure 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, contract taxes from participating districts, Master District fees, 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.

**Use of Restricted Resources**

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

**Prepaid Items**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

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

Depreciable capital assets, which primarily consist 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.

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances 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.

**Unassigned** - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the 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, 2019*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds	\$ 22,137,712
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 79,118,568	
Less accumulated depreciation	<u>(7,957,597)</u>	
Change due to capital assets		71,160,971

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.

446,754

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	(128,467,862)	
Bond anticipation note payable	(7,420,000)	
Interest payable on bonds	<u>(1,465,687)</u>	
Change due to long-term debt		(137,353,549)

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

(22,141,122)

Total net position - governmental activities	<u><u>\$ (65,749,234)</u></u>
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**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

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

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

Net change in fund balances - total governmental funds \$ 3,076,140

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*. 17,054,109

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	\$ (1,777,909)	
Transfers to other governments	<u>(2,118,796)</u>	(3,896,705)

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	(41,815,000)	
Proceeds from bond anticipation note	(7,420,000)	
Payment to refunded bond escrow agent	12,397,806	
Principal payments	3,870,000	
Repayment of bond anticipation note	11,700,000	
Interest expense accrual	<u>(228,391)</u>	(21,495,585)

Revisions in the estimate of due to developer do not provide financial resources in the funds; but result in an adjustment to net position in *Statement of Activities*. 2,314,017

Change in net position of governmental activities \$ (2,948,024)

### **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 \$37,339 pursuant to this agreement.

#### **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, 2019, the District's reserve fund balances in the Debt Service Fund are \$3,600,554 for water, sewer and drainage bonds and \$1,455,329 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.

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 3 – Deposits and Investments (continued)**

**Investments (continued)**

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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Money Market	Debt Service	\$ 15,896,477	74%	AAAm	36 days
TexPool	Debt Service	18,241			
	Capital Projects	4,466,601			
	Special Revenue	1,083,417			
		5,568,259	26%	AAAm	34 days
Total		\$ 21,464,736	100%		

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.

**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 3 – Deposits and Investments (continued)**

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 5,140	Maintenance tax collections not remitted as of year end
Debt Service Fund	Special Revenue Fund	13,297	Proceeds from the sale of refunding bonds in excess of 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.

**Note 5 – Capital Assets**

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

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Change in Estimate</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land and improvements	\$ 39,746,732	\$ (243,169)	\$ -	\$ 39,503,563
Capital assets being depreciated				
Infrastructure	14,432,335	2,301,097		16,733,432
Recreational and other facilities	22,110,493	2,761,582	(1,990,502)	22,881,573
	<u>36,542,828</u>	<u>5,062,679</u>	<u>(1,990,502)</u>	<u>39,615,005</u>
Less accumulated depreciation				
Infrastructure	(1,439,708)	(371,856)		(1,811,564)
Recreational and other facilities	(5,072,106)	(1,406,053)	332,126	(6,146,033)
	<u>(6,511,814)</u>	<u>(1,777,909)</u>	<u>332,126</u>	<u>(7,957,597)</u>
Subtotal depreciable capital assets, net	<u>30,031,014</u>	<u>3,284,770</u>	<u>(1,658,376)</u>	<u>31,657,408</u>
Capital assets, net	<u>\$69,777,746</u>	<u>\$3,041,601</u>	<u>\$(1,658,376)</u>	<u>\$71,160,971</u>

Depreciation expense for the current year was \$1,777,909.

**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 5 – Capital Assets (continued)**

During the current year, the District revised its estimate of the amounts due to developers for certain capital assets and adjusted the values of those assets accordingly.

**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 \$11,700,000. This BAN was repaid on December 6, 2018 with proceeds from the issuance of the District’s Series 2018A Contract Revenue Bonds.

On June 18, 2019, the District issued a \$7,420,000 BAN with an interest rate of 2.40%, which was due on June 16, 2020. 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	\$ 11,700,000
Amounts borrowed	7,420,000
Amounts repaid	<u>(11,700,000)</u>
Ending balance	<u>\$ 7,420,000</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, 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 cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 7 – Due to Developers (continued)**

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

Due to developers, beginning of year	\$ 36,229,318
Developer reimbursements	(17,054,109)
Developer funded construction and adjustments	6,938,307
Change in estimate of due to developer	<u>(3,972,394)</u>
Due to developers, end of year	<u>\$ 22,141,122</u>

During the current year, the District revised its estimate of the amounts due to developers for certain capital assets, some of which were transferred to the City of Fulshear in previous fiscal years. As a result, the District recorded a reduction in the amount due to developers of \$3,972,394 on the *Statement of Net Position* and recognized a gain of \$2,314,017 on the *Statement of Activities*.

**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Due to Developers (continued)**

In addition, the District will owe the developers approximately \$23,097,498, 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.

	Contract Amount	Amounts Paid	Remaining Commitment
Cross Creek Ranch Creek Falls 10 and 11 and Creek Falls Drive Extension No. 2 landscaping	\$ 635,454	\$ 621,473	\$ 13,981
Cross Creek Ranch Brooks 3 landscaping	1,287,840	1,187,212	100,628
Cross Creek Water Plant No. 3	4,818,963	2,871,742	1,947,221
Fulshear Bend Drive Bridge at Flewellen Creek	2,037,480	1,648,890	388,590
Fulshear Bend Drive Extension No. 3 paving	2,118,228	2,033,965	84,263
Utilities to serve Creek Trace at Cross Creek Ranch Section 5	271,586		271,586
Cross Creek Ranch Bonterra Section 5 landscaping	139,785	137,158	2,627
Bonterra at Cross Creek Ranch Detention/Reservoir Lake Expansion (F2F-2 Phase 2)	2,620,868	1,205,361	1,415,507
Creek Cove 14 landscaping	714,912	532,793	182,119
Utilities to serve West Cross Creek Bend Lane Extension No. 4	491,203	181,074	310,129
Creek Cove 15 landscaping	733,447	167,312	566,135
Reinforced concrete paving to serve Argonne Drive	325,098	51,203	273,895
Reinforced concrete paving to serve West Cross Creek Bend Extension No. 5	1,190,537		1,190,537
Fulshear Bend Drive Extension 3 landscaping	1,209,351	411,993	797,358
Reinforced concrete paving to serve Skyline Drive Street Dedication	502,992		502,992
Flewellen Creek Phase 3 landscaping	1,924,467		1,924,467
Creek Falls 12 landscaping	99,993		99,993
Creek Cove 16 landscaping	566,706		566,706
Linear detention north of Morgan's Spur	377,119		377,119
Willows Section 2 landscaping	373,388		373,388
Creek Cove 12 landscaping	658,081		658,081
	<u>\$23,097,498</u>	<u>\$11,050,176</u>	<u>\$12,047,322</u>

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 130,030,000
Unamortized discounts	<u>(1,562,138)</u>
	<u>\$ 128,467,862</u>
Due within one year	<u>\$ 5,120,000</u>



**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 8 – Long-Term Debt (continued)**

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009	\$ 110,000	\$ 3,590,000	4.70% - 6.00%	December 1, 2014/2034	December 1, June 1	December 1, 2018
2010	185,000	6,570,000	3.90% - 5.375%	December 1, 2014/2020	December 1, June 1	December 1, 2019
2011	220,000	7,785,000	3.00% - 5.00%	December 1, 2015/2020	December 1, June 1	December 1, 2020
2011A	3,765,000	4,030,000	5.00% - 5.25%	December 1, 2016/2037	December 1, June 1	December 1, 2020
2012	10,185,000	10,720,000	3.00% - 4.25%	December 1, 2017/2038	December 1, June 1	December 1, 2020
2013	10,745,000	11,310,000	3.00% - 5.00%	December 1, 2017/2038	December 1, June 1	December 1, 2021
2014	8,080,000	8,460,000	3.00% - 4.125%	December 1, 2017/2038	December 1, June 1	December 1, 2022
2015	13,150,000	15,000,000	2.00% - 3.75%	December 1, 2016/2040	December 1, June 1	December 1, 2023
2015A	6,900,000	8,850,000	2.00% - 3.00%	December 1, 2016/2041	December 1, June 1	December 1, 2023
2016	9,700,000	11,000,000	2.00% - 3.11%	December 1, 2016/2041	December 1, June 1	December 1, 2024
2017	14,620,000	15,320,000	2.25% - 3.375%	December 1, 2018/2042	December 1, June 1	December 1, 2024
2017A	2,455,000	2,455,000	2.00% - 3.25%	December 1, 2020/2034	December 1, June 1	December 1, 2024
Refunding 2017B	8,100,000	8,440,000	2.00% - 4.50%	December 1, 2018/2038	December 1, June 1	December 1, 2024
Series 2018	5,570,000	5,570,000	3.00% - 5.50%	December 1, 2019/2043	December 1, June 1	December 1, 2024
Series 2018A	23,000,000	23,000,000	3.00% - 5.00%	December 1, 2019/2043	December 1, June 1	December 1, 2024
2019 Refunding	13,245,000	13,245,000	2.00% - 3.00%	December 1, 2019/2036	December 1, June 1	December 1, 2025
	<u>\$130,030,000</u>					

**Note 8 – Long-Term Debt (continued)**

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.

At September 30, 2019, 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 \$384,605,000 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 \$79,410,000 for road facilities, and the refunding of such bonds.

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 interest rate of 4.163726%. 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.

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 interest rate of 4.159942%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the Master District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$11,700,000 BAN issued in the previous fiscal year; and (3) to make a deposit into the debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds.

On September 12, 2019, the District, in its capacity as a Master District, issued its \$13,245,000 Series 2019 Contract Revenue Refunding Bonds at a net effective interest rate of 2.543765% to refund \$12,455,000 of outstanding Series 2010 and 2011 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$2,779,057 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$2,202,395. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of September 30, 2019, the outstanding principal of defeased bonds is \$12,455,000.

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 8 – Long-Term Debt (continued)**

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

Bonds payable, beginning of year	\$ 104,540,000
Bonds issued	41,815,000
Bonds retired	(3,870,000)
Bonds refunded	<u>(12,455,000)</u>
Bonds payable, end of year	<u><u>\$ 130,030,000</u></u>

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

Year	Principal	Interest	Totals
2020	\$ 5,120,000	\$ 4,323,832	\$ 9,443,832
2021	5,400,000	4,210,237	9,610,237
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,746	9,419,746
2024	5,245,000	3,680,068	8,925,068
2025	5,340,000	3,518,795	8,858,795
2026	5,440,000	3,361,048	8,801,048
2027	5,545,000	3,202,665	8,747,665
2028	5,675,000	3,036,572	8,711,572
2029	5,795,000	2,859,793	8,654,793
2030	5,915,000	2,672,185	8,587,185
2031	6,045,000	2,474,756	8,519,756
2032	6,170,000	2,266,910	8,436,910
2033	6,325,000	2,047,090	8,372,090
2034	6,490,000	1,816,551	8,306,551
2035	6,630,000	1,579,051	8,209,051
2036	6,570,000	1,335,483	7,905,483
2037	6,150,000	1,092,180	7,242,180
2038	5,885,000	854,698	6,739,698
2039	5,660,000	624,664	6,284,664
2040	4,035,000	437,102	4,472,102
2041	3,425,000	298,803	3,723,803
2042	2,785,000	184,622	2,969,622
2043	2,185,000	91,213	2,276,213
2044	1,150,000	24,295	1,174,295
	<u><u>\$ 130,030,000</u></u>	<u><u>\$ 53,870,031</u></u>	<u><u>\$ 183,900,031</u></u>

***Fort Bend County Municipal Utility District No. 169***  
***Notes to Basic Financial Statements***  
***September 30, 2019***

**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.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.33838 per \$100 of assessed value, of which \$0.65338 was allocated to maintenance and operations and \$0.685 was allocated to contract taxes. The resulting tax levy was \$106,654 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, 2019, the total amount reported as transfers to other governments was \$2,118,796.

**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, 2019 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.

**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 11 – Lease Agreement (continued)**

On January 24, 2011, 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 \$3,000. The total cost of the lease for the fiscal year ended September 30, 2019 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, 2019 was \$74,400. 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.

Future minimum lease payments as of September 30, 2019 for term leases are as follows:

Year	Amount
2020	\$ 156,000
2021	156,000
2022	65,000
	\$ 377,000

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, (the “Utility Agreement”) with the City for construction and extension of water 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 will 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.

**Fort Bend County Municipal Utility District No. 169**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 12 – Utility Agreement with the City of Fulshear (continued)**

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, prior to the Fourth Amendment to Utility Agreement dated July 16, 2019, the City 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 agreed to 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. For the fiscal year ended September 30, 2019, the District has not collected City tax rebates.

Pursuant to the Fourth Amendment to Utility Agreement dated July 16, 2019, the District and the City agreed to revise the method of calculating the annual payment to the District.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment (the “Annual Payment”) to the District on February 28<sup>th</sup> of each year following the year the District issues its first series of unlimited tax bonds and shall continue for 30 years from the year after the year the District issues unlimited tax bonds. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities.

The Annual Payment shall be calculated annually and is equal to a percentage (the “Percentage”), initially 0.062510%, times the taxable assessed value for all property within the District on the City’s tax rolls (the “Annual Payment”). The Percentage shall be adjusted based on the City’s tax rate as follows:

<b>City Ad Valorem Tax Rate Per \$100 of Assessed Value</b>	<b>Percentage</b>
\$0.219999 or less	0.062510%
\$0.22 -- \$0.239999	0.07%
\$0.24 -- \$0.259999	0.08%
\$0.26 -- \$0.279999	0.09%
\$0.28 -- \$0.299999	0.10%
\$0.30 or higher	0.11%

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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, 2019, the District, in its Master District capacity, is authorized to issue \$384,605,000 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 \$79,410,000 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 on the contract revenue bonds issued by the Master District 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.

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, 2019, the Master District has received \$1,820,370 in Master District fees.

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 13 – Master District (continued)**

The contract provides for an operating and maintenance reserve equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. The Master District shall adjust the reserve as needed.

**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' willingness to make future operating advances and to pay property taxes will directly affect the District's ability to meet its future obligations.

**Note 16 – Subsequent Event**

On December 5, 2019, the District, in its capacity as a Master District, issued its \$17,580,000 Series 2019A Contract Revenue Bonds at a net effective rate of 2.959330%. 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 2019 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, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 49,000	\$ 44,687	\$ (4,313)
Investment earnings		11	11
Total Revenues	49,000	44,698	(4,302)
<b>Expenditures</b>			
Operating and administrative			
Professional fees	42,000	37,136	4,864
Contracted services	5,900	5,790	110
Administrative	10,750	10,182	568
Total Expenditures	58,650	53,108	5,542
<b>Revenues Over (Under) Expenditures</b>	(9,650)	(8,410)	1,240
<b>Other Financing Sources</b>			
Developer advances	9,650		(9,650)
<b>Net Change in Fund Balance</b>		(8,410)	(8,410)
<b>Fund Balance</b>			
Beginning of the year	3,143	3,143	
<b>End of the year</b>	<u>\$ 3,143</u>	<u>\$ (5,267)</u>	<u>\$ (8,410)</u>

*Fort Bend County Municipal Utility District No. 169*

*Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund*

*For the Year Ended September 30, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Master District fees	\$ 1,771,110	\$ 1,820,370	\$ 49,260
Investment earnings		15,804	15,804
Total Revenues	<u>1,771,110</u>	<u>1,836,174</u>	<u>65,064</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	310,000	191,795	118,205
Contracted services	37,000	21,512	15,488
Repairs and maintenance	585,000	419,762	165,238
Utilities	50,000	24,538	25,462
Regional water authority fees	220,000	289,266	(69,266)
Administrative	34,650	18,541	16,109
Lease	156,000	156,000	
Total Expenditures	<u>1,392,650</u>	<u>1,121,414</u>	<u>271,236</u>
<b>Revenues Over Expenditures</b>	378,460	714,760	336,300
<b>Fund Balance</b>			
Beginning of the year	<u>1,055,876</u>	<u>1,055,876</u>	
End of the year	<u>\$ 1,434,336</u>	<u>\$ 1,770,636</u>	<u>\$ 336,300</u>

*Fort Bend County Municipal Utility District No. 169*  
*Notes to Required Supplementary Information*  
*September 30, 2019*

**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, 2019**

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 interconn)                         |   |  |  |
| <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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
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:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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, 2019**

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

Gallons pumped into system:	<u>          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, 2019*

Professional fees		
Legal		\$ 35,636
Audit		1,500
		<u>37,136</u>
Contracted services		
Bookkeeping		<u>5,790</u>
Administrative		
Directors fees		3,225
Printing and office supplies		681
Insurance		5,368
Other		908
		<u>10,182</u>
Total expenditures		<u><u>\$ 53,108</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	399,020 kWh	\$ 39,959
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, 2019**

Fund	Interest Rate	Maturity Date	Balance at End of Year
Debt Service			
Money Market Treasury			
Portfolio - Class III	1.75%	N/A	\$ 15,896,477
TexPool	Variable	N/A	18,241
			<u>15,914,718</u>
Capital Projects			
TexPool	Variable	N/A	3,877,481
TexPool	Variable	N/A	589,120
			<u>4,466,601</u>
Special Revenue			
TexPool	Variable	N/A	1,046,078
TexPool - Restricted	Variable	N/A	25,651
TexPool - Restricted	Variable	N/A	11,688
			<u>1,083,417</u>
			<u>\$ 21,464,736</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 169**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2019**

	Maintenance Taxes	Contract Revenue Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ -	\$ -	\$ -	
2018 Original Tax Levy	52,067	54,587	106,654	
Tax collections:				
Current year	52,067	54,587	106,654	
Taxes Receivable, End of Year	\$ -	\$ -	\$ -	
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 8,011,750	\$ 8,011,750	\$ 6,364,520	\$ 6,364,520
Improvements	13,250	13,250	14,720	15,460
Exemptions	(56,120)	(56,120)	(56,120)	(56,120)
Total Property Valuations	\$ 7,968,880	\$ 7,968,880	\$ 6,323,120	\$ 6,323,860
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.65338	\$ 0.6472	\$ 0.64899	\$ 0.64426
Contract tax rates	0.68500	0.6950	0.69500	0.69500
Total Tax Rates per \$100 Valuation	\$ 1.33838	\$ 1.3422	\$ 1.34399	\$ 1.33926
Adjusted Tax Levy:	\$ 106,654	\$ 106,958	\$ 84,982	\$ 84,693
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%	100.00%	100.00%

\* 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, 2019*

<u>Due During Fiscal</u> <u>Years Ending</u>	<u>Principal Due</u> <u>December 1</u>	<u>Interest Due</u> <u>December 1</u>	<u>Total</u>
2020	\$ 110,000	\$ 2,585	\$ 112,585

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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1	Total
<u>2020</u>	<u>\$ 185,000</u>	<u>\$ 3,885</u>	<u>\$ 188,885</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1	Total
<u>2020</u>	<u>\$ 220,000</u>	<u>\$ 4,125</u>	<u>\$ 224,125</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
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>\$ 3,765,000</u>	<u>\$ 2,160,875</u>	<u>\$ 5,925,875</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
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>\$ 10,185,000</u>	<u>\$ 4,877,687</u>	<u>\$ 15,062,687</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 10,745,000</u>	<u>\$ 5,830,326</u>	<u>\$ 16,575,326</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
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>\$ 8,080,000</u>	<u>\$ 3,968,789</u>	<u>\$ 12,048,789</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
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>\$ 13,150,000</u>	<u>\$ 5,285,875</u>	<u>\$ 18,435,875</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 6,900,000</u>	<u>\$ 2,313,658</u>	<u>\$ 9,213,658</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, 2019**

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 9,700,000</u>	<u>\$ 3,097,375</u>	<u>\$ 12,797,375</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 14,620,000</u>	<u>\$ 5,286,913</u>	<u>\$ 19,906,913</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 657,043</u>	<u>\$ 3,112,043</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, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
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>\$ 8,100,000</u>	<u>\$ 3,106,976</u>	<u>\$ 11,206,976</u>

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 169  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2018 Contract Tax (Road Facilities)--by Years  
 September 30, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 220,000	\$ 218,931	\$ 438,931
2021	220,000	206,831	426,831
2022	220,000	195,281	415,281
2023	220,000	184,281	404,281
2024	220,000	173,281	393,281
2025	220,000	164,481	384,481
2026	220,000	157,881	377,881
2027	220,000	151,144	371,144
2028	220,000	144,131	364,131
2029	220,000	136,706	356,706
2030	220,000	129,006	349,006
2031	225,000	120,938	345,938
2032	225,000	112,500	337,500
2033	225,000	104,063	329,063
2034	225,000	95,344	320,344
2035	225,000	86,344	311,344
2036	225,000	77,344	302,344
2037	225,000	68,344	293,344
2038	225,000	59,344	284,344
2039	225,000	50,344	275,344
2040	225,000	41,344	266,344
2041	225,000	32,344	257,344
2042	225,000	23,203	248,203
2043	225,000	13,922	238,922
2044	225,000	4,640	229,640
	<u>\$ 5,570,000</u>	<u>\$ 2,751,972</u>	<u>\$ 8,321,972</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 169*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018A Contract Tax (Water, Sewer and Drainage Facilities)--by Years*  
*September 30, 2019*

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 800,000	\$ 876,780	\$ 1,676,780
2021	925,000	835,968	1,760,968
2022	925,000	796,656	1,721,656
2023	925,000	759,656	1,684,656
2024	925,000	722,656	1,647,656
2025	925,000	685,656	1,610,656
2026	925,000	653,281	1,578,281
2027	925,000	625,531	1,550,531
2028	925,000	597,203	1,522,203
2029	925,000	567,141	1,492,141
2030	925,000	535,344	1,460,344
2031	925,000	502,391	1,427,391
2032	925,000	468,281	1,393,281
2033	925,000	432,438	1,357,438
2034	925,000	395,438	1,320,438
2035	925,000	358,438	1,283,438
2036	925,000	321,438	1,246,438
2037	925,000	284,438	1,209,438
2038	925,000	247,438	1,172,438
2039	925,000	210,438	1,135,438
2040	925,000	173,438	1,098,438
2041	925,000	135,859	1,060,859
2042	925,000	97,703	1,022,703
2043	925,000	58,969	983,969
2044	925,000	19,655	944,655
	<u>\$ 23,000,000</u>	<u>\$ 11,362,234</u>	<u>\$ 34,362,234</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 169**  
**TSI-5. Long-Term Debt Service Requirements**  
**Series 2019 Contract Tax Refunding (Water, Sewer and Drainage Facilities)--by Years**  
**September 30, 2019**

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 85,000	\$ 226,212	\$ 311,212
2021	585,000	295,200	880,200
2022	610,000	283,250	893,250
2023	630,000	270,850	900,850
2024	655,000	258,000	913,000
2025	680,000	244,650	924,650
2026	705,000	230,800	935,800
2027	730,000	216,450	946,450
2028	765,000	201,500	966,500
2029	795,000	185,900	980,900
2030	825,000	169,700	994,700
2031	860,000	152,850	1,012,850
2032	880,000	133,800	1,013,800
2033	920,000	109,550	1,029,550
2034	965,000	83,688	1,048,688
2035	1,005,000	59,063	1,064,063
2036	1,050,000	30,750	1,080,750
2037	500,000	7,500	507,500
	<u>\$ 13,245,000</u>	<u>\$ 3,159,713</u>	<u>\$ 16,404,713</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, 2019**

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2020	\$ 5,120,000	\$ 4,323,832	\$ 9,443,832
2021	5,400,000	4,210,237	9,610,237
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,746	9,419,746
2024	5,245,000	3,680,068	8,925,068
2025	5,340,000	3,518,795	8,858,795
2026	5,440,000	3,361,048	8,801,048
2027	5,545,000	3,202,665	8,747,665
2028	5,675,000	3,036,572	8,711,572
2029	5,795,000	2,859,793	8,654,793
2030	5,915,000	2,672,185	8,587,185
2031	6,045,000	2,474,756	8,519,756
2032	6,170,000	2,266,910	8,436,910
2033	6,325,000	2,047,090	8,372,090
2034	6,490,000	1,816,551	8,306,551
2035	6,630,000	1,579,051	8,209,051
2036	6,570,000	1,335,483	7,905,483
2037	6,150,000	1,092,180	7,242,180
2038	5,885,000	854,698	6,739,698
2039	5,660,000	624,664	6,284,664
2040	4,035,000	437,102	4,472,102
2041	3,425,000	298,803	3,723,803
2042	2,785,000	184,622	2,969,622
2043	2,185,000	91,213	2,276,213
2044	1,150,000	24,295	1,174,295
	<u>\$ 130,030,000</u>	<u>\$ 53,870,031</u>	<u>\$ 183,900,031</u>

See accompanying auditors' report.

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	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 12/1/20	12/1/15 to 12/1/20	12/1/16 to 12/1/37	12/1/17 to 12/1/38
Beginning bonds outstanding	\$ 210,000	\$ 5,990,000	\$ 7,245,000	\$ 3,860,000	\$ 10,460,000
Bonds issued					
Bonds refunded		(5,635,000)	(6,820,000)		
Bonds retired	(100,000)	(170,000)	(205,000)	(95,000)	(275,000)
Ending bonds outstanding	<u>\$ 110,000</u>	<u>\$ 185,000</u>	<u>\$ 220,000</u>	<u>\$ 3,765,000</u>	<u>\$ 10,185,000</u>
Interest paid during fiscal year	<u>\$ 8,170</u>	<u>\$ 444,173</u>	<u>\$ 491,519</u>	<u>\$ 190,744</u>	<u>\$ 401,769</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A.</u>				

	Water, Sewer and Drainage	
	Bonds	Road Bonds
Master District Contract Revenue Bond Authority:		
Amount Authorized by Voters	\$483,000,000	\$121,450,000
Amount Issued	(98,395,000)	(42,040,000)
Remaining To Be Issued	<u>\$384,605,000</u>	<u>\$ 79,410,000</u>

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

	Water, Sewer and Drainage		
	Bonds	Park Bonds	Road Bonds
Internal District Unlimited Tax Bond Authority:			
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, 2019: \$ 15,919,886

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 7,356,001

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	\$ 11,035,000	\$ 8,275,000	\$ 13,750,000	\$ 7,250,000	\$ 10,250,000
Bonds issued					
Bonds refunded					
Bonds retired	(290,000)	(195,000)	(600,000)	(350,000)	(550,000)
Ending bonds outstanding	<u>\$ 10,745,000</u>	<u>\$ 8,080,000</u>	<u>\$ 13,150,000</u>	<u>\$ 6,900,000</u>	<u>\$ 9,700,000</u>
Interest paid during fiscal year	<u>\$ 468,850</u>	<u>\$ 312,475</u>	<u>\$ 441,375</u>	<u>\$ 246,813</u>	<u>\$ 257,000</u>

See accompanying auditors' report.

Bond Issue

Series 2017	Series 2017A Refunding	Series 2017B	Series 2018	Series 2018A	Series 2019 Refunding	Totals
2.25% - 3.375% 12/1; 6/1 12/1/18 to 12/1/42	3.00% - 5.00% 12/1; 6/1 12/1/17 to 12/1/38	2.00% - 4.50% 12/1; 6/1 12/1/18 to 12/1/42	3.00% - 5.50% 12/1; 6/1 12/1/19 to 12/1/43	3.00% - 5.00% 12/1; 6/1 12/1/19 to 12/1/43	2.00% - 3.00% 12/1; 6/1 12/1/19 to 12/1/36	
\$ 15,320,000	\$ 2,455,000	\$ 8,440,000	\$ -	\$ -	\$ -	\$104,540,000
			5,570,000	23,000,000	13,245,000	41,815,000
						(12,455,000)
(700,000)		(340,000)				(3,870,000)
<u>\$ 14,620,000</u>	<u>\$ 2,455,000</u>	<u>\$ 8,100,000</u>	<u>\$ 5,570,000</u>	<u>\$23,000,000</u>	<u>\$ 13,245,000</u>	<u>\$130,030,000</u>
<u>\$ 461,675</u>	<u>\$ 64,913</u>	<u>\$ 261,069</u>	<u>\$ 131,239</u>	<u>\$ 448,391</u>	<u>\$ -</u>	<u>\$ 4,630,175</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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 44,687	\$ 51,575	\$ 41,036	\$ 39,679	\$ 38,258
Penalties and interest					129
Investment earnings	11	13	11	17	5
Total Revenues	44,698	51,588	41,047	39,696	38,392
Expenditures					
Operating and administrative					
Professional fees	37,136	29,833	99,134	13,548	23,034
Contracted services	5,790	12,472	14,006	7,938	10,862
Administrative	10,182	10,530	11,852	11,072	13,720
Other					149
Total Expenditures	53,108	52,835	124,992	32,558	47,765
Revenues Over (Under) Expenditures	\$ (8,410)	\$ (1,247)	\$ (83,945)	\$ 7,138	\$ (9,373)

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
100%	100%	100%	100%	100%
			*	
*	*	*	*	
100%	100%	100%	100%	100%
83%	58%	242%	34%	60%
13%	24%	34%	20%	28%
23%	20%	29%	28%	36%
				*
119%	102%	305%	82%	124%
(19%)	(2%)	(205%)	18%	(24%)

*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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 61,967	\$ 55,383	\$ 43,946	\$ 43,941	\$ 44,355
Contract tax from participants	9,025,849	8,120,412	7,115,043	4,108,534	2,529,258
Accrued interest on bonds sold			17,443	3,936	6,272
Investment earnings	232,534	112,197	24,239	530	376
Total Revenues	<u>9,320,350</u>	<u>8,287,992</u>	<u>7,200,671</u>	<u>4,156,941</u>	<u>2,580,261</u>
Expenditures					
Tax collection services	7,411	71	6	210	279
Debt service					
Principal	3,870,000	3,105,000	2,245,000	205,000	
Payment to refunded bond escrow agent			977,732		
Interest and fees	4,632,761	3,732,440	3,313,663	2,262,499	1,755,440
Debt issuance costs	524,885		172,964		
Total Expenditures	<u>9,035,057</u>	<u>6,837,511</u>	<u>6,709,365</u>	<u>2,467,709</u>	<u>1,755,719</u>
Revenues Over Expenditures	<u>\$ 285,293</u>	<u>\$1,450,481</u>	<u>\$ 491,306</u>	<u>\$1,689,232</u>	<u>\$ 824,542</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
1%	1%	1%	2%	1%
97%	99%	99%	98%	99%
	*	*	*	
2%	*	*	*	*
100%	100%	100%	100%	100%
*	*	*	*	*
42%	37%	31%	5%	
		14%		
50%	45%	46%	54%	68%
6%		2%		
98%	82%	91%	59%	68%
2%	18%	9%	41%	32%

**Fort Bend County Municipal Utility District No. 169**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2019**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): 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
<b>Board Members</b>				
Arden J. Morley	06/16 - 05/20	\$ 2,100	\$ 630	President
William H. Yost	06/18 - 05/22	1,950	268	Vice President
Gary Swafford	06/18 - 05/22	1,575	264	Secretary
David W. D'Andrea	06/18 - 05/22	2,100	335	Assistant Secretary
John J. Preston	06/16 - 05/20	1,950	469	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	08/30/07	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 243,747		
<i>Bond counsel</i>		819,281		
F. Matuska, Inc.	02/01/10	20,190		Bookkeeper
Assessments of the Southwest Inc.	10/01/07	6,100		Tax Collector
Fort Bend Central Appraisal District	Legislation	821		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LP	03/03/08			Delinquent Tax Attorney
Brown & Gay Engineers Inc.	10/01/07	67,112		Engineer
McGrath & Co, PLLC	10/11/10	45,250		Auditor
Masterson Advisors, LLC	05/01/18	609,085		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, 2019**



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

Houston, Texas  
January 6, 2020

## **Management's Discussion and Analysis**

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***Fort Bend County Municipal Utility District No. 170  
Management's Discussion and Analysis  
September 30, 2019***

## **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, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2019, was negative \$13,530,099. 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, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 1,402,389	\$ 1,441,092
Capital assets	939,065	968,411
Total assets	<u>2,341,454</u>	<u>2,409,503</u>
Current liabilities	2,373,748	1,862,508
Long-term liabilities	13,497,805	10,659,426
Total liabilities	<u>15,871,553</u>	<u>12,521,934</u>
Net position		
Net investment in capital assets	(409,173)	(191,533)
Restricted	477,917	471,503
Unrestricted	(13,598,843)	(10,392,401)
Total net position	<u>\$ (13,530,099)</u>	<u>\$ (10,112,431)</u>

**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2019**

The total net position of the District decreased during the current fiscal year by \$3,417,668. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 2,273,106	\$ 1,674,275
City of Fulshear tax rebate	87,439	63,064
Other	43,753	28,049
Total revenues	<u>2,404,298</u>	<u>1,765,388</u>
Expenses		
Operating and administrative	591,206	454,672
Debt interest and fees	467,758	369,223
Developer interest	111,055	124,661
Debt issuance costs	250,593	158,453
Contractual obligation	1,129,018	839,422
Amortization	29,346	29,346
Total expenses	<u>2,578,976</u>	<u>1,975,777</u>
Change in net position before other item	(174,678)	(210,389)
Other item		
Transfers to other governments	<u>(3,242,990)</u>	<u>(2,097,854)</u>
Change in net position	(3,417,668)	(2,308,243)
Net position, beginning of year	<u>(10,112,431)</u>	<u>(7,804,188)</u>
Net position, end of year	<u><u>\$ (13,530,099)</u></u>	<u><u>\$ (10,112,431)</u></u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2019, were \$1,384,399, which consists of \$117,161 in the General Fund, \$524,003 in the Debt Service Fund, and \$743,235 in the Capital Projects Fund.

*General Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 125,833</u>	<u>\$ 87,642</u>
Total liabilities	\$ 8,344	\$ 10,600
Total deferred inflows	328	1,031
Total fund balance	<u>117,161</u>	<u>76,011</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 125,833</u></u>	<u><u>\$ 87,642</u></u>



**Fort Bend County Municipal Utility District No. 170**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 509,509	\$ 306,825
Total expenditures	<u>(468,359)</u>	<u>(387,246)</u>
Revenues over/(under) expenditures	<u>\$ 41,150</u>	<u>\$ (80,421)</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 increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.

*Debt Service Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	\$ 526,011	\$ 509,565
Total liabilities	\$ 843	\$ 835
Total deferred inflows	1,165	4,568
Total fund balance	<u>524,003</u>	<u>504,162</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 526,011</u>	<u>\$ 509,565</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 1,885,015	\$ 1,443,036
Total expenditures	<u>(1,865,174)</u>	<u>(1,477,670)</u>
Revenues over/(under) expenditures	19,841	(34,634)
Other changes in fund balance		23,355
Net change in fund balance	<u>\$ 19,841</u>	<u>\$ (11,279)</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. During the previous fiscal year, financial resources also included 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

**Fort Bend County Municipal Utility District No. 170  
 Management’s Discussion and Analysis  
 September 30, 2019**

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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	\$ 750,545	\$ 843,885
Total liabilities	\$ 7,310	\$ 3,846
Total fund balance	<u>743,235</u>	<u>840,039</u>
Total liabilities and fund balance	<u>\$ 750,545</u>	<u>\$ 843,885</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 13,879	\$ 10,556
Total expenditures	<u>(2,920,683)</u>	<u>(2,618,578)</u>
Revenues under expenditures	(2,906,804)	(2,608,022)
Other changes in fund balance	<u>2,810,000</u>	<u>2,861,645</u>
Net change in fund balance	<u>\$ (96,804)</u>	<u>\$ 253,623</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 2018 Unlimited Tax Bonds, Series 2019 Bond Anticipation Note, and surplus bond proceeds in the current year and proceeds from the issuance of its Series 2017 Unlimited Tax Park Bonds and Series 2018 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 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 \$41,150 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 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

**Fort Bend County Municipal Utility District No. 170  
 Management’s Discussion and Analysis  
 September 30, 2019**

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, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets being amortized		
Interest in regional park facilities	\$ 997,757	\$ 997,757
Less accumulated amortization	<u>(58,692)</u>	<u>(29,346)</u>
Capital assets, net	<u>\$ 939,065</u>	<u>\$ 968,411</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. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2019, capital assets in the amount of \$3,242,990 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, 2019, the District owes \$2,124,005 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$5,898,209 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

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

<u>Series</u>	<u>2019</u>	<u>2018</u>
2014	\$ 4,190,000	\$ 4,300,000
2016	3,900,000	4,050,000
2017 Park	1,335,000	1,335,000
2018	<u>2,400,000</u>	
	<u>\$ 11,825,000</u>	<u>\$ 9,685,000</u>

During the year, the District issued \$2,400,000 in unlimited tax bonds. At September 30, 2019, the District had \$114,940,000 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; \$68,525,000 for parks and recreational facilities and refunding of said bonds; \$50,400,000 for road improvements and refunding of said bonds.

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During the year, the District issued a \$1,960,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The BAN was repaid subsequent to year end, 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:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 509,509	\$ 631,700
Total expenditures	<u>(468,359)</u>	<u>(667,900)</u>
Revenues over/(under) expenditures	41,150	(36,200)
Other changes in fund balance		<u>36,200</u>
Net change in fund balance	41,150	
Beginning fund balance	<u>76,011</u>	<u>117,161</u>
Ending fund balance	<u>\$ 117,161</u>	<u>\$ 117,161</u>

**Property Taxes**

The District’s property tax base increased approximately \$41,919,000 for the 2019 tax year from \$169,059,115 to \$210,978,149. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.30588 per \$100 of assessed value, a debt service tax rate of \$0.36750 per \$100 of assessed value, and a contract tax rate of \$0.66500 per \$100 of assessed value, for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2018 tax year were \$0.29838 per \$100 for maintenance and operations, \$0.36750 per \$100 for debt service, and a contract tax rate of \$0.67250 per \$100 of assessed value, for a combined total of \$1.33838 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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 8,193	\$ 29,530	\$ -	\$ 37,723	\$ -	\$ 37,723
Investments	147,643	461,712	750,545	1,359,900		1,359,900
Taxes receivable	328	1,165		1,493		1,493
Internal balances	(30,331)	30,331				
Other receivables		3,273		3,273		3,273
Capital assets, net					939,065	939,065
<b>Total Assets</b>	<b>\$ 125,833</b>	<b>\$ 526,011</b>	<b>\$ 750,545</b>	<b>\$ 1,402,389</b>	<b>939,065</b>	<b>2,341,454</b>
<b>Liabilities</b>						
Accounts payable	\$ 7,967	\$ -	\$ 7,310	\$ 15,277		15,277
Other payables	377	843		1,220		1,220
Accrued interest payable					47,251	47,251
Bond anticipation note payable					1,960,000	1,960,000
Due to developers					2,124,005	2,124,005
Long-term debt						
Due within one year					350,000	350,000
Due after one year					11,373,800	11,373,800
<b>Total Liabilities</b>	<b>8,344</b>	<b>843</b>	<b>7,310</b>	<b>16,497</b>	<b>15,855,056</b>	<b>15,871,553</b>
<b>Deferred Inflows of Resources</b>						
Deferred revenues	328	1,165		1,493	(1,493)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		524,003	743,235	1,267,238	(1,267,238)	
Unassigned	117,161			117,161	(117,161)	
<b>Total Fund Balances</b>	<b>117,161</b>	<b>524,003</b>	<b>743,235</b>	<b>1,384,399</b>	<b>(1,384,399)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 125,833</b>	<b>\$ 526,011</b>	<b>\$ 750,545</b>	<b>\$ 1,402,389</b>		
<b>Net Position</b>						
Net investment in capital assets					(409,173)	(409,173)
Restricted for debt service					477,917	477,917
Unrestricted					(13,598,843)	(13,598,843)
<b>Total Net Position</b>					<b>\$ (13,530,099)</b>	<b>\$ (13,530,099)</b>

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, 2019*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 505,117	\$ 1,760,358	\$ -	\$ 2,265,475	\$ (4,105)	\$ 2,261,370
Penalties and interest		11,736		11,736		11,736
City of Fulshear tax rebate		87,439		87,439		87,439
Miscellaneous		60		60		60
Investment earnings	4,392	25,422	13,879	43,693		43,693
<b>Total Revenues</b>	<b>509,509</b>	<b>1,885,015</b>	<b>13,879</b>	<b>2,408,403</b>	<b>(4,105)</b>	<b>2,404,298</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	96,415		83,884	180,299		180,299
Contracted services	10,930	37,345		48,275		48,275
Master District fees	343,560			343,560		343,560
Administrative	17,454	1,618		19,072		19,072
Capital outlay			2,459,670	2,459,670	(2,459,670)	
Debt service						
Principal		260,000		260,000	(260,000)	
Interest and fees		437,193	15,481	452,674	15,084	467,758
Developer interest			111,055	111,055		111,055
Debt issuance costs			250,593	250,593		250,593
Contractual obligation		1,129,018		1,129,018		1,129,018
Amortization					29,346	29,346
<b>Total Expenditures</b>	<b>468,359</b>	<b>1,865,174</b>	<b>2,920,683</b>	<b>5,254,216</b>	<b>(2,675,240)</b>	<b>2,578,976</b>
<b>Revenues Over (Under)</b>						
<b>Expenditures/Expenses</b>	<b>41,150</b>	<b>19,841</b>	<b>(2,906,804)</b>	<b>(2,845,813)</b>	<b>2,671,135</b>	<b>(174,678)</b>
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds			2,400,000	2,400,000	(2,400,000)	
Proceeds from bond anticipation note			1,960,000	1,960,000	(1,960,000)	
Repayment of bond anticipation note			(1,550,000)	(1,550,000)	1,550,000	
<b>Other Items</b>						
Transfers to other governments					(3,242,990)	(3,242,990)
<b>Net Change in Fund Balances</b>	<b>41,150</b>	<b>19,841</b>	<b>(96,804)</b>	<b>(35,813)</b>	<b>35,813</b>	
<b>Change in Net Position</b>					<b>(3,417,668)</b>	<b>(3,417,668)</b>
Fund Balance/Net Position						
Beginning of the year	76,011	504,162	840,039	1,420,212	(11,532,643)	(10,112,431)
<b>End of the year</b>	<b>\$ 117,161</b>	<b>\$ 524,003</b>	<b>\$ 743,235</b>	<b>\$ 1,384,399</b>	<b>\$ (14,914,498)</b>	<b>\$ (13,530,099)</b>

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, 2019***

**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 (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas 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 issued 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 11, 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 GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, 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.

**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.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**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.

**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 City of Fulshear tax rebates and property taxes levied for debt service and the District’s contractual obligations to the Master District in the Debt Service Fund.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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 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. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 1,384,399
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>(58,692)</u>	
Change due to capital assets		939,065
Property taxes receivable has been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		1,493
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	(11,723,800)	
Bond anticipation note	(1,960,000)	
Interest payable on bonds	<u>(47,251)</u>	
Change due to long-term debt		(13,731,051)
Amounts due to the District's developers for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .		
		(2,124,005)
Total net position - governmental activities		<u><u>\$ (13,530,099)</u></u>

**Fort Bend County Municipal Utility District No. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

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

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

Net change in fund balances - total governmental funds \$ (35,813)

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. (4,105)

Governmental funds report capital outlays for developer reimbursements 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	\$ 2,459,670	
Amortization expense	(29,346)	
		2,430,324

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	(2,400,000)	
Issuance of bond anticipation note	(1,960,000)	
Principal payments	260,000	
Repayment of bond anticipation note	1,550,000	
Interest expense accrual	(15,084)	
		(2,565,084)

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. (3,242,990)

Change in net position of governmental activities \$ (3,417,668)



**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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 147,643	AAAm	34 days
	Debt Service	461,712		
	Capital Projects	750,545		
		<u>\$ 1,359,900</u>		

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 30,331	Reimbursement due to overtransfer of property tax revenues to maintenance account

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, 2019**

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 997,757	\$ -	\$ 997,757
Less accumulated amortization	(29,346)	(29,346)	(58,692)
Capital assets, net	<u>\$ 968,411</u>	<u>\$ (29,346)</u>	<u>\$ 939,065</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.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$1,550,000. This BAN was repaid on December 5, 2018, with proceeds from the issuance of the District’s Series 2018 Unlimited Tax Bonds.

On June 11, 2019, the District issued a \$1,960,000 BAN with an interest rate of 2.48%, which was due on June 10, 2020. This BAN was repaid subsequent to year end. See Note 14 for additional information.

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

Beginning balance	\$ 1,550,000
Amounts borrowed	1,960,000
Amounts repaid	<u>(1,550,000)</u>
Ending balance	<u>\$ 1,960,000</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 cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

**Fort Bend County Municipal Utility District No. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Due to Developers (continued)**

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

Due to developers, beginning of year	\$ 1,340,686
Developer funded construction and adjustments	3,242,989
Developer reimbursements	<u>(2,459,670)</u>
Due to developers, end of year	<u>\$ 2,124,005</u>

In addition, the District will owe the developers approximately \$5,898,209, 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.

	Contract Amount	Amounts Paid	Remaining Commitment
Water, sewer, and drainage facilities to serve:			
Argonne Drive Street Dedication	\$ 443,430	\$ 392,743	\$ 50,687
West Cross Creek Bend Lane Extension No. 5 *	1,437,353	710,929	726,423
Creek Trace at Cross Creek Ranch, Section 1	900,643	694,310	206,333
Bonterra at Cross Creek Ranch, Section 7	935,616		935,616
Bonterra at Cross Creek Ranch, Section 8	361,000		361,000
Creek Trace at Cross Creek Ranch, Section 3*	1,086,343		1,086,343
Creek Trace at Cross Creek Ranch, Section 4	733,825		733,825
	<u>\$ 5,898,209</u>	<u>\$ 1,797,982</u>	<u>\$ 4,100,227</u>

\* District's estimated share of project

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 11,825,000
Unamortized discounts	<u>(101,200)</u>
	<u>\$ 11,723,800</u>
 Due within one year	 <u>\$ 350,000</u>

**Fort Bend County Municipal Utility District No. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 8 – Long-Term Debt (continued)**

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 4,190,000	\$ 4,600,000	2.00% - 4.20%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2016	3,900,000	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
2018	2,400,000	2,400,000	4.00% - 5.50%	September 1, 2021/2043	March 1, September 1	September 1, 2024
	<u>\$11,825,000</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, 2019, the District had authorized but unissued bonds in the amount of \$114,940,000 for water, sewer and drainage facilities and refunding of said bonds; \$68,525,000 for park and recreational facilities and refunding of said bonds; and \$50,400,000 for road improvements and refunding of said bonds.

On December 5, 2018, the District issued its \$2,400,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 4.4192%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a \$1,550,000 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	\$ 9,685,000
Bonds issued	2,400,000
Bonds retired	(260,000)
Bonds payable, end of year	<u>\$ 11,825,000</u>

**Fort Bend County Municipal Utility District No. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 8 – Long-Term Debt (continued)**

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

Year	Principal	Interest	Totals
2020	\$ 350,000	\$ 456,544	\$ 806,544
2021	385,000	448,857	833,857
2022	390,000	438,182	828,182
2023	400,000	426,507	826,507
2024	410,000	413,657	823,657
2025	420,000	399,912	819,912
2026	435,000	385,159	820,159
2027	445,000	369,014	814,014
2028	460,000	352,219	812,219
2029	470,000	334,108	804,108
2030	485,000	315,332	800,332
2031	495,000	296,744	791,744
2032	515,000	277,183	792,183
2033	530,000	256,413	786,413
2034	545,000	235,042	780,042
2035	565,000	213,072	778,072
2036	585,000	190,152	775,152
2037	600,000	166,272	766,272
2038	625,000	141,192	766,192
2039	650,000	114,966	764,966
2040	505,000	87,694	592,694
2041	510,000	66,325	576,325
2042	500,000	44,625	544,625
2043	550,000	23,375	573,375
	<u>\$ 11,825,000</u>	<u>\$ 6,452,546</u>	<u>\$ 18,277,546</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.

**Fort Bend County Municipal Utility District No. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 9 – 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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.33838 per \$100 of assessed value, of which \$0.29838 was allocated to maintenance and operations, \$0.36750 was allocated to debt service, and \$0.67250 was allocated to contract tax. The resulting tax levy was \$2,262,653 on the adjusted taxable value of \$169,059,115.

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

Current year taxes receivable	\$	1,361
Prior years taxes receivable		132
		1,493
	\$	1,493

**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*. The estimated cost of each project is trued-up when the developer is subsequently 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, 2019, the District reported transfers to other governments in the amount of \$3,242,990 for projects completed and transferred to the City.

**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 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 terminates November 11, 2045, unless otherwise previously terminated pursuant to the terms of the Utility Agreement.

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. 170**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 11 – Utility Agreement with the City of Fulshear (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, prior to the Third Amendment to Utility Agreement dated July 16, 2019, the City 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 agreed to 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. For the fiscal year ended September 30, 2019, the District collected \$87,439 in City tax rebates.

Pursuant to the Third Amendment to Utility Agreement dated July 16, 2019, the District and the City agreed to revise the method for calculating the annual payment to the District.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2045, (the “Annual Payment”); provided, however the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities as described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities.

The Annual Payment shall be calculated annually and is equal to a percentage (the “Percentage”), initially 0.062510%, times the taxable assessed value for all property within the District on the City’s tax rolls. The Percentage shall be adjusted based on the City’s tax rate as follows:

<b>City Ad Valorem Tax Rate</b>	
<b>Per \$100 of Assessed Value</b>	<b>Percentage</b>
\$0.219999 or less	0.062510%
\$0.22 -- \$0.239999	0.07%
\$0.24 -- \$0.259999	0.08%
\$0.26 -- \$0.279999	0.09%
\$0.28 -- \$0.299999	0.10%
\$0.30 or higher	0.11%



*Fort Bend County Municipal Utility District No. 170*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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 \$343,560 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 year, the District did not pay any 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 2018 tax year, the District’s pro rata share is 12.40%. The District levied a contract tax rate of \$0.67250 per \$100 of assessed valuation and paid \$1,129,018 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, 2019**

**Note 12 – Master District (continued)**

As of September 30, 2019, the Master District has \$130,030,000 contract revenue bonds outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2020	\$ 5,120,000	\$ 4,323,833	\$ 9,443,833
2021	5,400,000	4,210,238	9,610,238
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,744	9,419,744
2024	5,245,000	3,680,069	8,925,069
2025 - 2029	27,795,000	15,978,875	43,773,875
2030 - 2034	30,945,000	11,277,485	42,222,485
2035 - 2039	30,895,000	5,486,068	36,381,068
2040 - 2044	13,580,000	1,036,038	14,616,038
	<u>\$ 130,030,000</u>	<u>\$ 53,870,022</u>	<u>\$ 183,900,022</u>

The Contract also provides for of an operating and maintenance reserve equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall adjust the reserve as needed.

**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**

**Issuance of Unlimited Tax Bonds**

On December 4, 2019, the District issued its \$3,000,000 Series 2019 Unlimited Tax Bonds at a net effective rate of 3.062339%. Proceeds from the bonds were used to reimburse the District’s developers for the cost of infrastructure improvements in the District and to repay the Series 2019 BAN. The TCEQ approved the use of surplus funds in the amount of \$265,000 from a previous bond issue to reduce the bond issue requirement.

**Master District Debt Issuance**

On December 5, 2019, the Master District issued its \$17,580,000 Series 2019A Contract Revenue Bonds at a net effective rate of 2.95933%. Proceeds from the bonds were used to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2019 BAN.

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## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 170  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 422,090	\$ 505,117	\$ 83,027
Investment earnings	1,800	4,392	2,592
Total Revenues	<u>423,890</u>	<u>509,509</u>	<u>85,619</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	108,500	96,415	12,085
Contracted services	12,000	10,930	1,070
Master District fees	342,450	343,560	(1,110)
Administrative	22,790	17,454	5,336
Total Expenditures	<u>485,740</u>	<u>468,359</u>	<u>17,381</u>
<b>Revenues Over/(Under) Expenditures</b>	(61,850)	41,150	103,000
<b>Other Financing Sources</b>			
Developer advances	<u>61,850</u>		<u>(61,850)</u>
<b>Net Change in Fund Balance</b>		41,150	41,150
<b>Fund Balance</b>			
Beginning of the year	<u>76,011</u>	<u>76,011</u>	
<b>End of the year</b>	<u>\$ 76,011</u>	<u>\$ 117,161</u>	<u>\$ 41,150</u>

*Fort Bend County Municipal Utility District No. 170*  
*Notes to Required Supplementary Information*  
*September 30, 2019*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**



**Fort Bend County Municipal Utility District No. 170**

**TSI-1. Services and Rates**

**September 30, 2019**

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 interconn                                    |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by the City of Fulshear</u><br><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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
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:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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, 2019**

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

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

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, 2019***

Professional fees		
Legal		\$ 84,697
Audit		10,500
Engineering		1,218
		<u>96,415</u>
Contracted services		
Bookkeeping		<u>10,930</u>
Master District fees		<u>343,560</u>
Administrative		
Directors fees		7,200
Printing and office supplies		843
Insurance		4,642
Utilities		1,312
Other		3,457
		<u>17,454</u>
Total expenditures		<u>\$ 468,359</u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	2,958 kWh	\$ 1,312
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, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 147,643
Debt Service			
TexPool	Variable	N/A	298,597
TexPool	Variable	N/A	163,115
			<u>461,712</u>
Capital Projects			
TexPool	Variable	N/A	705,377
TexPool	Variable	N/A	45,168
			<u>750,545</u>
Total - All Funds			<u><u>\$ 1,359,900</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 170**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2019**

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,031	\$ 2,899	\$ 1,669	\$ 5,599
Adjustments to prior year tax levies	(24)	(70)	(40)	(134)
Adjusted Receivable	1,007	2,829	1,629	5,465
2018 Original Tax Levy	504,815	1,137,770	621,756	2,264,341
Adjustments	(377)	(847)	(464)	(1,688)
Adjusted Tax Levy	504,438	1,136,923	621,292	2,262,653
Total to be accounted for	505,445	1,139,752	622,921	2,268,118
Tax collections				
Current year	504,135	1,136,239	620,919	2,261,293
Prior years	982	2,761	1,589	5,332
Total Collections	505,117	1,139,000	622,508	2,266,625
Taxes Receivable, End of Year	\$ 328	\$ 752	\$ 413	\$ 1,493
Taxes Receivable, By Years				
2018	\$ 303	\$ 684	\$ 374	\$ 1,361
2017	25	68	39	132
Taxes Receivable, End of Year	\$ 328	\$ 752	\$ 413	\$ 1,493
	2018	2017	2016	2015
Property Valuations				
Land	\$ 63,996,330	\$ 51,185,200	\$ 43,510,480	\$ 34,406,690
Improvements	108,035,720	74,628,160	59,687,350	45,195,010
Personal Property	1,298,310	1,127,590	903,810	171,780
Exemptions	(4,271,245)	(2,982,209)	(1,838,540)	(1,726,842)
Total Property Valuations	\$ 169,059,115	\$ 123,958,741	\$ 102,263,100	\$ 78,046,638
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.29838	\$ 0.24720	\$ 0.28899	\$ 0.29426
Contract tax rates	0.67250	0.69500	0.69500	0.69500
Debt service tax rates	0.36750	0.40000	0.36000	0.35000
Total Tax Rates per \$100 Valuation	\$ 1.33838	\$ 1.34220	\$ 1.34399	\$ 1.3393
Adjusted Tax Levy	\$ 2,262,653	\$ 1,663,774	\$ 1,374,406	\$ 1,045,247
Percentage of Taxes Collected to Taxes Levied ***	99.94%	99.99%	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, 2019**

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 115,000	\$ 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>\$ 4,190,000</u>	<u>\$ 2,040,367</u>	<u>\$ 6,230,367</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 3,900,000</u>	<u>\$ 2,005,390</u>	<u>\$ 5,905,390</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 170*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Park--by Years*  
*September 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 564,420</u>	<u>\$ 1,899,420</u>

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 170*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*September 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ -	\$ 105,513	\$ 105,513
2021	40,000	105,513	145,513
2022	40,000	103,313	143,313
2023	40,000	101,113	141,113
2024	45,000	98,913	143,913
2025	45,000	96,438	141,438
2026	50,000	93,963	143,963
2027	50,000	91,213	141,213
2028	55,000	88,463	143,463
2029	55,000	85,438	140,438
2030	60,000	82,414	142,414
2031	60,000	80,014	140,014
2032	65,000	77,613	142,613
2033	70,000	75,013	145,013
2034	70,000	72,212	142,212
2035	75,000	69,412	144,412
2036	80,000	66,412	146,412
2037	80,000	63,212	143,212
2038	85,000	60,012	145,012
2039	90,000	56,506	146,506
2040	95,000	52,794	147,794
2041	100,000	48,875	148,875
2042	500,000	44,625	544,625
2043	550,000	23,375	573,375
	<u>\$ 2,400,000</u>	<u>\$ 1,842,369</u>	<u>\$ 4,242,369</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 350,000	\$ 456,544	\$ 806,544
2021	385,000	448,857	833,857
2022	390,000	438,182	828,182
2023	400,000	426,507	826,507
2024	410,000	413,657	823,657
2025	420,000	399,912	819,912
2026	435,000	385,159	820,159
2027	445,000	369,014	814,014
2028	460,000	352,219	812,219
2029	470,000	334,108	804,108
2030	485,000	315,332	800,332
2031	495,000	296,744	791,744
2032	515,000	277,183	792,183
2033	530,000	256,413	786,413
2034	545,000	235,042	780,042
2035	565,000	213,072	778,072
2036	585,000	190,152	775,152
2037	600,000	166,272	766,272
2038	625,000	141,192	766,192
2039	650,000	114,966	764,966
2040	505,000	87,694	592,694
2041	510,000	66,325	576,325
2042	500,000	44,625	544,625
2043	550,000	23,375	573,375
	<u>\$ 11,825,000</u>	<u>\$ 6,452,546</u>	<u>\$ 18,277,546</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 170**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2019**

	Bond Issue				Totals
	Series 2014	Series 2016	Series 2017 Park	Series 2018	
Interest rate	2.00% - 4.20%	2.00% - 4.30%	2.00% - 4.00%	4.00% - 5.50%	
Dates interest payable	3/1; 9/1	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	9/1/21 - 9/1/43	
Beginning bonds outstanding	\$ 4,300,000	\$ 4,050,000	\$ 1,335,000	\$ -	\$ 9,685,000
Bonds issued				2,400,000	2,400,000
Bonds retired	(110,000)	(150,000)			(260,000)
Ending bonds outstanding	<u>\$ 4,190,000</u>	<u>\$ 3,900,000</u>	<u>\$ 1,335,000</u>	<u>\$ 2,400,000</u>	<u>\$ 11,825,000</u>
Interest paid during fiscal year	<u>\$ 158,801</u>	<u>\$ 152,220</u>	<u>\$ 45,210</u>	<u>\$ 79,134</u>	<u>\$ 435,365</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:	Bonds	Park Bonds	Road Bonds		
Amount Authorized by Voters	\$126,140,000	\$ 69,860,000	\$ 50,400,000		
Amount Issued	(11,200,000)	(1,335,000)			
Remaining To Be Issued	<u>\$114,940,000</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, 2019: \$ 491,242

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 761,564

See accompanying auditors' report.

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**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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 505,117	\$ 304,861	\$ 285,929	\$ 229,660	\$ 315,822
Investment earnings	4,392	1,964	550	257	174
Total Revenues	509,509	306,825	286,479	229,917	315,996
Expenditures					
Operating and administrative					
Professional fees	96,415	79,850	143,124	45,415	36,228
Contracted services	10,930	10,900	10,640	13,375	18,596
Master District fees	343,560	277,350	215,550	154,440	81,960
Administrative	17,454	19,146	16,739	14,227	12,551
Total Expenditures	468,359	387,246	386,053	227,457	149,335
Revenues Over (Under) Expenditures	\$ 41,150	\$ (80,421)	\$ (99,574)	\$ 2,460	\$ 166,661

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
99%	99%	100%	100%	100%
1%	1%	*	*	*
100%	100%	100%	100%	100%
19%	26%	50%	20%	11%
2%	4%	4%	6%	6%
67%	90%	75%	67%	26%
3%	6%	6%	6%	4%
91%	126%	135%	99%	47%
9%	(26%)	(35%)	1%	53%

**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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$1,760,358	\$1,352,745	\$1,089,642	\$ 816,346	\$ 349,798
Penalties and interest	11,736	11,070	6,785	6,776	2,205
City of Fulshear tax rebate	87,439	63,064	43,866	37,142	24,574
Accrued interest on bonds sold		628	8,623		1,373
Miscellaneous	60	80	250	130	200
Investment earnings	25,422	15,449	6,180	968	607
Total Revenues	<u>1,885,015</u>	<u>1,443,036</u>	<u>1,155,346</u>	<u>861,362</u>	<u>378,757</u>
Expenditures					
Tax collection services	38,963	30,219	18,807	11,321	
Administrative					2,644
Debt service					
Principal	260,000	255,000	100,000	95,000	
Interest and fees	437,193	353,029	281,566	165,551	328,103
Contractual obligation	1,129,018	839,422	667,842	513,757	124,351
Total Expenditures	<u>1,865,174</u>	<u>1,477,670</u>	<u>1,068,215</u>	<u>785,629</u>	<u>455,098</u>
Revenues Over (Under) Expenditures	<u>\$ 19,841</u>	<u>\$ (34,634)</u>	<u>\$ 87,131</u>	<u>\$ 75,733</u>	<u>\$ (76,341)</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

2019	2018	2017	2016	2015
93%	94%	93%	95%	92%
1%	1%	1%	1%	1%
5%	4%	4%	4%	7%
	*	1%		*
*	*	*	*	*
1%	1%	1%	*	*
100%	100%	100%	100%	100%
2%	2%	2%	1%	1%
14%	18%	9%	11%	
23%	24%	24%	19%	87%
60%	58%	58%	60%	33%
99%	102%	93%	91%	121%
1%	(2%)	7%	9%	(21%)



**Fort Bend County Municipal Utility District No. 170**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2019**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): March 8, 2019  
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
<b>Board Members</b>				
CJ McDaniel	6/18 - 5/22	\$ 2,100	\$ 544	President
Lisa Johns	6/16 - 5/20	900	62	Vice President
Cindy Morrow	6/16 - 5/20	1,800	219	Secretary
Stephen Burke	6/18 - 5/22	1,350	346	Assistant Vice President
Russell Cosby	3/19 - 5/20	1,050	111	Assistant Secretary
Kela Sumrall	6/16 - 3/19			Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	8/08			Attorney
<i>General legal fees</i>		\$ 110,432		
<i>Bond counsel</i>		91,832		
F. Matuska, Inc.	2/10	12,494		Bookkeeper
Assessments of the Southwest, Inc.	11/08	12,760		Tax Collector
Fort Bend Central Appraisal District	Legislation	20,536		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	11/08	2,549		Delinquent Tax Attorney
Brown & Gay Engineers	11/08	1,218		Engineer
McGrath & Co, PLLC	8/13	20,500		Auditor
Masterson Advisors, LLC	5/18	65,599		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, 2019**



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

Houston, Texas  
January 13, 2020

## **Management's Discussion and Analysis**



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***Fort Bend County Municipal Utility District No. 171  
Management's Discussion and Analysis  
September 30, 2019***

## **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, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 171**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2019, was negative \$8,399,609. 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, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 2,651,512	\$ 2,679,024
Capital assets	2,671,601	2,763,725
Total assets	<u>5,323,113</u>	<u>5,442,749</u>
Total deferred outflows of resources	<u>203,890</u>	<u>62,208</u>
Current liabilities	644,381	549,401
Long-term liabilities	13,282,231	13,565,525
Total liabilities	<u>13,926,612</u>	<u>14,114,926</u>
Net position		
Net investment in capital assets	(498,262)	(360,201)
Restricted	1,973,388	1,764,616
Unrestricted	(9,874,735)	(10,014,384)
Total net position	<u>\$ (8,399,609)</u>	<u>\$ (8,609,969)</u>

**Fort Bend County Municipal Utility District No. 171**  
**Management's Discussion and Analysis**  
**September 30, 2019**

The total net position of the District increased during the current fiscal year by \$210,360. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	\$ 4,032,254	\$ 4,049,133
City of Fulshear tax rebate	188,689	197,607
Other	76,124	51,408
Total revenues	<u>4,297,067</u>	<u>4,298,148</u>
Expenses		
Operating and administrative	498,431	506,229
Debt interest and fees	696,970	717,629
Developer interest	36,696	
Debt issuance costs	348,977	130,902
Contractual obligation	2,406,853	2,436,903
Amortization	92,124	92,124
Total expenses	<u>4,080,051</u>	<u>3,883,787</u>
Change in net position before other item	217,016	414,361
Other item		
Transfers to other governments	<u>(6,656)</u>	<u>(222,028)</u>
Change in net position	210,360	192,333
Net position, beginning of year	<u>(8,609,969)</u>	<u>(8,802,302)</u>
Net position, end of year	<u>\$ (8,399,609)</u>	<u>\$ (8,609,969)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2019, were \$2,628,950, which consists of \$626,626 in the General Fund, \$1,996,702 in the Debt Service Fund, and \$5,622 in the Capital Projects Fund.

*General Fund*

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

	2019	2018
Total assets	<u>\$ 634,762</u>	<u>\$ 561,554</u>
Total liabilities	\$ 6,641	\$ 8,161
Total deferred inflows	1,495	3,788
Total fund balance	<u>626,626</u>	<u>549,605</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 634,762</u>	<u>\$ 561,554</u>

**Fort Bend County Municipal Utility District No. 171**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 523,097	\$ 511,153
Total expenditures	<u>(446,076)</u>	<u>(433,419)</u>
Revenues over expenditures	<u>\$ 77,021</u>	<u>\$ 77,734</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 are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.

*Debt Service Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,011,128</u>	<u>\$ 1,820,856</u>
Total liabilities	\$ 1,894	\$ 9,705
Total deferred inflows	12,532	28,487
Total fund balance	<u>1,996,702</u>	<u>1,782,664</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,011,128</u>	<u>\$ 1,820,856</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 3,787,690	\$ 3,784,736
Total expenditures	<u>(3,985,801)</u>	<u>(3,767,861)</u>
Revenues over/(under) expenditures	(198,111)	16,875
Other changes in fund balance	<u>412,149</u>	<u>165,410</u>
Net change in fund balance	<u>\$ 214,038</u>	<u>\$ 182,285</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 a change 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, 2019**

During the current year, the District issued \$7,795,000 in refunding bonds to refund \$4,075,000 of its outstanding Series 2010 bonds and \$3,345,000 of its outstanding Series 2011 bonds. This refunding will save \$1,567,342 in future debt service payments. In the previous fiscal year, the District issued \$2,790,000 in refunding bonds to refund \$2,700,000 of its outstanding Series 2009 bonds and save \$497,816 in future debt service payments

*Capital Projects Fund*

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

	2019	2018
Total assets	\$ 5,622	\$ 296,614
Total fund balance	\$ 5,622	\$ 296,614

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

	2019	2018
Total revenues	\$ 4,528	\$ 4,121
Total expenditures	(295,520)	(31,635)
Revenues under expenditures	\$ (290,992)	\$ (27,514)

During the current year, the District reimbursed its developer for infrastructure improvements with surplus funds from its Series 2011A bond proceeds. There was no significant capital asset activity in the prior year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board 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 \$43,881 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, 2019**

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

	<u>2019</u>	<u>2018</u>
Capital assets being amortized		
Interest in regional park facilities	\$ 3,098,700	\$ 3,098,700
Less accumulated amortization	<u>(427,099)</u>	<u>(334,975)</u>
Capital assets, net	<u>\$ 2,671,601</u>	<u>\$ 2,763,725</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. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2019, adjustments to the value of capital assets completed in previous fiscal years in the amount of \$6,656 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, 2019, the District owes \$127,923 to the developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$655,800 for projects under construction. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

<u>Series</u>	<u>2019</u>	<u>2018</u>
2010	\$ 150,000	\$ 4,365,000
2011	250,000	3,710,000
2011A	1,440,000	1,520,000
2012 Park	1,440,000	1,485,000
2018 Refunding	2,685,000	2,790,000
2019 Refunding	<u>7,795,000</u>	
	<u>\$ 13,760,000</u>	<u>\$ 13,870,000</u>

During the current year, the District issued \$7,795,000 in unlimited tax refunding bonds. At September 30, 2019, the District had \$53,723,000 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; \$35,500,000 for parks and recreational facilities and refunding of said bonds; and \$17,150,000 for road improvements and refunding of said bonds.

**Fort Bend County Municipal Utility District No. 171**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 523,097	\$ 530,400
Total expenditures	<u>(446,076)</u>	<u>(470,520)</u>
Revenues over expenditures	77,021	59,880
Beginning fund balance	<u>549,605</u>	<u>626,626</u>
Ending fund balance	<u>\$ 626,626</u>	<u>\$ 686,506</u>

**Property Taxes**

The District's property tax base increased approximately \$10,046,000 for the 2019 tax year from \$362,238,599 to \$372,284,801. This increase was primarily due to increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.1442 per \$100 of assessed value, a debt service tax rate of \$0.235 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 \$1.0742 per \$100. Tax rates for the 2018 tax year were \$0.1415 per \$100 for maintenance and operations, \$0.27 per \$100 for debt service, and \$0.695 per \$100 for contract tax, for a combined total of \$1.1065 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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 372,491	\$ 549,196	\$ -	\$ 921,687	\$ -	\$ 921,687
Investments	263,558	1,441,696	8,122	1,713,376		1,713,376
Taxes receivable	1,495	12,532		14,027		14,027
Internal balances	(3,826)	6,326	(2,500)			
Other receivables	1,044	1,378		2,422		2,422
Capital assets, net					2,671,601	2,671,601
Total Assets	<u>\$ 634,762</u>	<u>\$ 2,011,128</u>	<u>\$ 5,622</u>	<u>\$ 2,651,512</u>	<u>2,671,601</u>	<u>5,323,113</u>
<b>Deferred Outflows of Resources</b>						
Deferred difference on refunding					203,890	203,890
<b>Liabilities</b>						
Accounts payable	\$ 5,952	\$ -	\$ -	\$ 5,952		5,952
Other payables	689	1,894		2,583		2,583
Accrued interest payable					35,846	35,846
Due to developer					127,923	127,923
Long-term debt						
Due within one year					600,000	600,000
Due after one year					13,154,308	13,154,308
Total Liabilities	<u>6,641</u>	<u>1,894</u>	<u></u>	<u>8,535</u>	<u>13,918,077</u>	<u>13,926,612</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>1,495</u>	<u>12,532</u>	<u></u>	<u>14,027</u>	<u>(14,027)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		1,996,702	5,622	2,002,324	(2,002,324)	
Unassigned	626,626			626,626	(626,626)	
Total Fund Balances	<u>626,626</u>	<u>1,996,702</u>	<u>5,622</u>	<u>2,628,950</u>	<u>(2,628,950)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 634,762</u>	<u>\$ 2,011,128</u>	<u>\$ 5,622</u>	<u>\$ 2,651,512</u>		
<b>Net Position</b>						
Net investment in capital assets					(498,262)	(498,262)
Restricted for debt service					1,973,388	1,973,388
Unrestricted					(9,874,735)	(9,874,735)
Total Net Position					<u>\$ (8,399,609)</u>	<u>\$ (8,399,609)</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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 514,861	\$ 3,507,052	\$ -	\$ 4,021,913	\$ (12,857)	\$ 4,009,056
Penalties and interest		28,589		28,589	(5,391)	23,198
City of Fulshear tax rebate		188,689		188,689		188,689
Investment earnings	8,236	63,360	4,528	76,124		76,124
<b>Total Revenues</b>	<b>523,097</b>	<b>3,787,690</b>	<b>4,528</b>	<b>4,315,315</b>	<b>(18,248)</b>	<b>4,297,067</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	88,920		2,691	91,611		91,611
Contracted services	11,415	47,644		59,059		59,059
Master District fees	324,270			324,270		324,270
Administrative	21,471	2,020		23,491		23,491
Capital outlay			256,133	256,133	(256,133)	
Debt service						
Principal		485,000		485,000	(485,000)	
Interest and fees		695,307		695,307	1,663	696,970
Developer interest			36,696	36,696		36,696
Debt issuance costs		348,977		348,977		348,977
Contractual obligation		2,406,853		2,406,853		2,406,853
Amortization					92,124	92,124
<b>Total Expenditures/Expenses</b>	<b>446,076</b>	<b>3,985,801</b>	<b>295,520</b>	<b>4,727,397</b>	<b>(647,346)</b>	<b>4,080,051</b>
<b>Revenues Over (Under)</b>						
<b>Expenditures/Expenses</b>	<b>77,021</b>	<b>(198,111)</b>	<b>(290,992)</b>	<b>(412,082)</b>	<b>629,098</b>	<b>217,016</b>
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of refunding bonds		7,795,000		7,795,000	(7,795,000)	
Payment to refunded bond escrow agent		(7,382,851)		(7,382,851)	7,382,851	
<b>Other Item</b>						
Transfers to other governments					(6,656)	(6,656)
<b>Net Change in Fund Balances</b>	<b>77,021</b>	<b>214,038</b>	<b>(290,992)</b>	<b>67</b>	<b>(67)</b>	
<b>Change in Net Position</b>					<b>210,360</b>	<b>210,360</b>
Fund Balance/Net Position						
Beginning of the year	549,605	1,782,664	296,614	2,628,883	(11,238,852)	(8,609,969)
<b>End of the year</b>	<b>\$ 626,626</b>	<b>\$ 1,996,702</b>	<b>\$ 5,622</b>	<b>\$ 2,628,950</b>	<b>\$ (11,028,559)</b>	<b>\$ (8,399,609)</b>

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, 2019***

**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 (“GASB”). The following is a summary of the most significant policies:

**Creation**

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

**Government-Wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and 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.

**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, 2019, 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.



*Fort Bend County Municipal Utility District No. 171*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

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.

Deferred outflows of financial resources at the government-wide level are from refunding bond transactions 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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 City of Fulshear tax 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.

**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.

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 2,628,950
<p>The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the <i>Statement of Net Position</i> and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.</p>		
		203,890
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental</p>		
Historical cost	\$ 3,098,700	
Less accumulated amortization	<u>(427,099)</u>	
Change due to capital assets		2,671,601
<p>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:</p>		
Bonds payable, net	(13,754,308)	
Interest payable on bonds	<u>(35,846)</u>	
Change due to long-term debt		(13,790,154)
<p>Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(127,923)
<p>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</p>		
Property taxes receivable	11,689	
Penalty and interest receivable	<u>2,338</u>	
Change due to property taxes		14,027
Total net position - governmental activities		<u>\$ (8,399,609)</u>

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

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

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

Net change in fund balances - total governmental funds \$ 67

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. (18,248)

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

Capital outlays	\$ 256,133	
Amortization expense	(92,124)	
		164,009

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

Proceeds from the sale of refunding bonds	(7,795,000)	
Payment to refunded bond escrow agent	7,382,851	
Principal payments	485,000	
Interest expense accrual	(1,663)	
		71,188

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developer, 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. (6,656)

Change in net position of governmental activities	\$ 210,360
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**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 263,558	AAAm	34 days
	Debt Service	1,441,696		
	Capital Projects	8,122		
Total		<u>\$1,713,376</u>		

*Fort Bend County Municipal Utility District No. 171  
 Notes to Basic Financial Statements  
 September 30, 2019*

**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**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 372	Maintenance tax allocation of value reduction refunds
Debt Service Fund	General Fund	5,954	Proceeds from the sale of refunding bonds in excess of bond issuance costs paid by the General Fund
General Fund	Capital Project Fund	2,500	Professional fees paid by the General Fund

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

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 3,098,700	\$ -	\$ 3,098,700
Less accumulated amortization	(334,975)	(92,124)	(427,099)
Capital assets, net	<u>\$ 2,763,725</u>	<u>\$ (92,124)</u>	<u>\$ 2,671,601</u>

Amortization expense for the current year was \$92,124.

**Note 6 – Due to Developer**

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer, drainage facilities. Under the agreements, 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 cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

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

Due to developer, beginning of year	\$ 377,400
Developer reimbursements	(256,133)
Adjustments to developer funded assets	<u>6,656</u>
Due to developer, end of year	<u>\$ 127,923</u>

In addition, the District will owe the developer approximately \$655,800, 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.

	Contract Amount	Amounts Paid	Remaining Commitment
Water, sewer, and drainage facilities to serve Skyline Drive Street dedication	\$ 655,800	\$ -	\$ 655,800

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Long–Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 13,760,000
Unamortized discounts	(72,230)
Unamortized premium	66,538
	<u>\$ 13,754,308</u>
Due within one year	<u>\$ 600,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2010	\$ 150,000	\$ 5,100,000	4.00% - 6.00%	September 1, 2012/2035	March 1, September 1	September 1, 2019
2011	250,000	4,270,000	4.00% - 5.00%	September 1, 2013/2036	March 1, September 1	September 1, 2019
2011A	1,440,000	1,760,000	4.00% - 6.00%	September 1, 2016/2038	March 1, September 1	September 1, 2020
2012 Park	1,440,000	1,600,000	3.25% - 5.75%	September 1, 2016/2038	March 1, September 1	September 1, 2021
2018 Refunding	2,685,000	2,790,000	3.00% - 4.00%	September 1, 2019/2034	March 1, September 1	September 1, 2024
2019 Refunding	7,795,000	7,795,000	3.00% - 3.125%	September 1, 2020/2036	March 1, September 1	September 1, 2025
	<u>\$ 13,760,000</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, 2019, the District had authorized but unissued bonds in the amount of \$53,723,000 for water, sewer and drainage facilities and refunding of said bonds; \$35,500,000 for park and recreational facilities and refunding of said bonds; and \$17,150,000 for road improvements and refunding of said bonds.



**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Long-Term Debt (continued)**

On June 4, 2019, the District issued its \$7,795,000 Series 2019 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.977582% to refund \$4,075,000 of outstanding Series 2010 bonds and \$3,345,000 of outstanding Series 2011 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$1,567,342 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,175,026. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 1, 2019, the redemption date of the bonds. As of September 30, 2019, the bonds have all been redeemed and are no longer outstanding.

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

Bonds payable, beginning of year	\$ 13,870,000
Bonds refunded	(7,420,000)
Bonds issued	7,795,000
Bonds retired	(485,000)
Bonds payable, end of year	<u>\$ 13,760,000</u>

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

Year	Principal	Interest	Totals
2020	\$ 600,000	\$ 444,988	\$ 1,044,988
2021	625,000	418,399	1,043,399
2022	660,000	395,062	1,055,062
2023	680,000	372,987	1,052,987
2024	705,000	350,299	1,055,299
2025	735,000	331,012	1,066,012
2026	765,000	310,862	1,075,862
2027	790,000	289,913	1,079,913
2028	830,000	267,113	1,097,113
2029	860,000	243,388	1,103,388
2030	895,000	218,851	1,113,851
2031	930,000	190,176	1,120,176
2032	965,000	160,413	1,125,413
2033	1,005,000	127,738	1,132,738
2034	1,060,000	93,475	1,153,475
2035	845,000	57,388	902,388
2036	430,000	30,225	460,225
2037	185,000	15,175	200,175
2038	195,000	7,761	202,761
	<u>\$ 13,760,000</u>	<u>\$ 4,325,225</u>	<u>\$ 18,085,225</u>

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**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.

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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.1065 per \$100 of assessed value, of which \$0.1415 was allocated to maintenance and operations, \$0.27 was allocated to debt service, and \$0.695 was allocated to contract tax. The resulting tax levy was \$4,008,170 on the adjusted taxable value of \$362,238,599.

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

Current year taxes receivable	\$ 11,689
Penalty and interest receivable	<u>2,338</u>
Property taxes receivable	<u><u>\$ 14,027</u></u>

**Note 9 – Transfers to Other Governments**

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 the developer is reimbursed. As a result, transfers to other governments includes adjustments for projects completed in previous fiscal years in the amount of \$6,656.

***Fort Bend County Municipal Utility District No. 171***  
***Notes to Basic Financial Statements***  
***September 30, 2019***

**Note 10 – Utility Agreement**

On December 18, 2007, 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 terminates December 18, 2040, unless otherwise previously terminated.

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, prior to the Fourth Amendment to Utility Agreement dated July 16, 2019, the City 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 agreed to 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. For the fiscal year ended September 30, 2019, the District collected \$188,689 in City tax rebates.

Pursuant to the Fourth Amendment to Utility Agreement dated July 16, 2019, the District and the City agreed to revise the method of calculating the annual payment to the District.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2040 (the “Annual Payment”); provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater, and drainage facilities described below. The Utility Agreement provides that the annual payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities.

**Fort Bend County Municipal Utility District No. 171**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 10 – Utility Agreement (continued)**

The Annual Payment shall be calculated annually and is equal to a percentage (the “Percentage”), initially 0.062510%, times the taxable assessed value for all property within the District on the City’s tax rolls. The Percentage shall be adjusted based on the City’s tax rate as follows:

<u>City Ad Valorem Tax Rate Per</u> <u>\$100 of Assessed Value</u>	<u>Percentage</u>
\$0.219999 or less	0.062510%
\$0.22 -- \$0.239999	0.07%
\$0.24 -- \$0.259999	0.08%
\$0.26 -- \$0.279999	0.09%
\$0.28 -- \$0.299999	0.10%
\$0.30 or higher	0.11%

**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 \$324,270 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, 2019**

**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 2018 tax year, the District’s pro rata share is 26.39%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$2,406,853 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2019, the Master District had \$130,030,000 bonded debt outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2020	\$ 5,120,000	\$ 4,323,833	\$ 9,443,833
2021	5,400,000	4,210,238	9,610,238
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,744	9,419,744
2024	5,245,000	3,680,069	8,925,069
2025 - 2029	27,795,000	15,978,875	43,773,875
2030 - 2034	30,945,000	11,277,485	42,222,485
2035 - 2039	30,895,000	5,486,068	36,381,068
2040 - 2044	13,580,000	1,036,038	14,616,038
	<u>\$ 130,030,000</u>	<u>\$ 53,870,022</u>	<u>\$ 183,900,022</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 December 5, 2019, the Master District issued its \$17,580,000 Series 2019A Contract Revenue Bonds at a net effective rate of 2.95933%. Proceeds from the bonds were used to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2019 Bond Anticipation Note.

## **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, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 496,740	\$ 514,861	\$ 18,121
Investment earnings	10,000	8,236	(1,764)
Total Revenues	<u>506,740</u>	<u>523,097</u>	<u>16,357</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	108,500	88,920	19,580
Contracted services	12,000	11,415	585
Master District fees	323,640	324,270	(630)
Administrative	29,460	21,471	7,989
Total Expenditures	<u>473,600</u>	<u>446,076</u>	<u>27,524</u>
<b>Revenues Over Expenditures</b>	33,140	77,021	43,881
<b>Fund Balance</b>			
Beginning of the year	549,605	549,605	
<b>End of the year</b>	<u>\$ 582,745</u>	<u>\$ 626,626</u>	<u>\$ 43,881</u>

*Fort Bend County Municipal Utility District No. 171*  
*Notes to Required Supplementary Information*  
*September 30, 2019*

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. 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, 2019**

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 interconn                        |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water, wastewater and storm sewer accepted by City of Fulshear</u><br><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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
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:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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, 2019**

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

Gallons pumped into system:	<u>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, 2019*

Professional fees		
Legal	\$	74,679
Audit		10,500
Engineering		3,741
		<u>88,920</u>
Contracted services		
Bookkeeping		<u>11,415</u>
Master District fees		<u>324,270</u>
Administrative		
Directors fees		12,600
Printing and office supplies		1,023
Insurance		2,992
Other		4,856
		<u>21,471</u>
Total expenditures	\$	<u><u>446,076</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. 171*  
*TSI-3. Investments*  
*September 30, 2019*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 263,558
Debt Service			
TexPool	Variable	N/A	704,928
TexPool	Variable	N/A	736,768
			1,441,696
Capital Projects			
TexPool	Variable	N/A	8,122
Total - All Funds			\$ 1,713,376

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 171**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2019**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 3,788	\$ 5,683	\$ 15,074	\$ 24,545
2018 Original Tax Levy	511,548	976,099	2,512,550	4,000,197
Adjustments	1,020	1,946	5,007	7,973
Adjusted Tax Levy	512,568	978,045	2,517,557	4,008,170
Total to be accounted for	516,356	983,728	2,532,631	4,032,715
Tax collections:				
Current year	511,073	975,192	2,510,217	3,996,482
Prior years	3,788	5,684	15,072	24,544
Total Collections	514,861	980,876	2,525,289	4,021,026
Taxes Receivable, End of Year	\$ 1,495	\$ 2,852	\$ 7,342	\$ 11,689
Taxes Receivable, By Years				
2018	\$ 1,495	\$ 2,852	\$ 7,342	\$ 11,689
Property Valuations:	2018	2017	2016	2015
Land	\$ 94,608,128	\$ 80,549,958	\$ 77,026,388	\$ 77,066,958
Improvements	284,748,208	290,313,291	302,738,260	302,969,980
Personal Property	4,257,340	3,558,280	3,882,790	2,528,311
Exemptions	(21,375,077)	(12,957,487)	(6,244,643)	(19,328,491)
Total Property Valuations	\$ 362,238,599	\$ 361,464,042	\$ 377,402,795	\$ 363,236,758
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.1415	\$ 0.1400	\$ 0.165	\$ 0.225
Debt service tax rates	0.2700	0.2825	0.260	0.240
Contract tax rates	0.6950	0.6950	0.695	0.695
Total Tax Rates per \$100 Valuation	\$ 1.1065	\$ 1.1175	\$ 1.120	\$ 1.160
Adjusted Tax Levy:	\$ 4,008,170	\$ 4,039,361	\$ 4,226,911	\$ 4,213,546
Percentage of Taxes Collected to Taxes Levied **	99.71%	100.00%	100.00%	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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 150,000	\$ 7,050	\$ 157,050

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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 120,000	\$ 10,000	\$ 130,000
2021	130,000	5,200	135,200
	<u>\$ 250,000</u>	<u>\$ 15,200</u>	<u>\$ 265,200</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 80,000	\$ 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>\$ 1,440,000</u>	<u>\$ 651,547</u>	<u>\$ 2,091,547</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 1,440,000</u>	<u>\$ 571,298</u>	<u>\$ 2,011,298</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 171*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018 Refunding--by Years*  
*September 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 2,685,000</u>	<u>\$ 888,338</u>	<u>\$ 3,573,338</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 171*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019 Refunding--by Years*  
*September 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 85,000	\$ 212,300	\$ 297,300
2021	245,000	209,750	454,750
2022	395,000	202,400	597,400
2023	410,000	190,550	600,550
2024	425,000	178,250	603,250
2025	440,000	169,750	609,750
2026	460,000	160,950	620,950
2027	475,000	151,750	626,750
2028	495,000	141,063	636,063
2029	515,000	128,688	643,688
2030	540,000	115,813	655,813
2031	560,000	99,613	659,613
2032	585,000	82,813	667,813
2033	605,000	65,263	670,263
2034	640,000	47,113	687,113
2035	670,000	27,913	697,913
2036	250,000	7,813	257,813
	<u>\$ 7,795,000</u>	<u>\$ 2,191,792</u>	<u>\$ 9,986,792</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, 2019**

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 600,000	\$ 444,988	\$ 1,044,988
2021	625,000	418,399	1,043,399
2022	660,000	395,062	1,055,062
2023	680,000	372,987	1,052,987
2024	705,000	350,299	1,055,299
2025	735,000	331,012	1,066,012
2026	765,000	310,862	1,075,862
2027	790,000	289,913	1,079,913
2028	830,000	267,113	1,097,113
2029	860,000	243,388	1,103,388
2030	895,000	218,851	1,113,851
2031	930,000	190,176	1,120,176
2032	965,000	160,413	1,125,413
2033	1,005,000	127,738	1,132,738
2034	1,060,000	93,475	1,153,475
2035	845,000	57,388	902,388
2036	430,000	30,225	460,225
2037	185,000	15,175	200,175
2038	195,000	7,761	202,761
	<u>\$ 13,760,000</u>	<u>\$ 4,325,225</u>	<u>\$ 18,085,225</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 171**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2019**

	Bond Issue		
	Series 2010	Series 2011	Series 2011A
Interest rate	4.00% - 6.00%	4.00% - 5.00%	4.00% - 6.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/12 to 9/1/35	9/1/13 to 9/1/36	9/1/16 to 9/1/38
Beginning bonds outstanding	\$ 4,365,000	\$ 3,710,000	\$ 1,520,000
Bonds refunded	(4,075,000)	(3,345,000)	
Bonds issued			
Bonds retired	(140,000)	(115,000)	(80,000)
Ending bonds outstanding	<u>\$ 150,000</u>	<u>\$ 250,000</u>	<u>\$ 1,440,000</u>
Interest paid during fiscal year	<u>\$ 248,500</u>	<u>\$ 162,386</u>	<u>\$ 69,438</u>
Paying agent's name and city	<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
Amount Issued	(14,835,000)	(1,600,000)	
Remaining To Be Issued	<u>\$ 53,723,000</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, 2019: \$ 1,990,892

Average annual debt service payment (principal and interest) for remaining term of all c \$ 951,854

See accompanying auditors' report.

Bond Issue			
Series 2012 Park	Series 2018 Refunding	Series 2019 Refunding	Totals
3.25% - 5.75% 3/1; 9/1 9/1/16 to 9/1/38	3.00% - 4.00% 3/1; 9/1 9/1/19 to 9/1/34	3.00% - 3.125% 3/1; 9/1 9/1/20 to 9/1/36	
\$ 1,485,000	\$ 2,790,000	\$ -	\$ 13,870,000
			(7,420,000)
		7,795,000	7,795,000
(45,000)	(105,000)		(485,000)
<u>\$ 1,440,000</u>	<u>\$ 2,685,000</u>	<u>\$ 7,795,000</u>	<u>\$ 13,760,000</u>
<u>\$ 53,188</u>	<u>\$ 113,317</u>	<u>\$ 53,075</u>	<u>\$ 699,904</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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 514,861	\$ 504,325	\$ 624,530	\$ 816,173	\$ 922,048
Investment earnings	8,236	6,828	1,772	2,994	2,276
Total Revenues	523,097	511,153	626,302	819,167	924,324
Expenditures					
Operating and administrative					
Professional fees	88,920	78,048	149,698	65,587	45,205
Contracted services	11,415	11,205	11,190	11,325	11,520
Master District fees	324,270	323,640	323,640	323,640	323,640
Administrative	21,471	20,526	19,387	23,275	12,729
Capital outlay			1,701,588		
Total Expenditures	446,076	433,419	2,205,503	423,827	393,094
Revenues Over/(Under) Expenditures	\$ 77,021	\$ 77,734	\$ (1,579,201)	\$ 395,340	\$ 531,230

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
98%	99%	100%	100%	100%
2%	1%	*	*	*
100%	100%	100%	100%	100%
17%	15%	24%	8%	5%
2%	2%	2%	1%	1%
62%	63%	52%	40%	35%
4%	4%	3%	3%	1%
		272%		
85%	84%	353%	52%	42%
15%	16%	(253%)	48%	58%

**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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 3,507,052	\$ 3,525,341	\$ 3,606,642	\$ 3,389,602	\$ 3,096,890
Penalties and interest	28,589	21,329	20,730	12,849	29,301
City of Fulshear tax rebate	188,689	197,607	177,871	192,927	205,280
Miscellaneous				30	10
Investment earnings	63,360	40,459	5,439	4,079	3,756
Total Revenues	<u>3,787,690</u>	<u>3,784,736</u>	<u>3,810,682</u>	<u>3,599,487</u>	<u>3,335,237</u>
Expenditures					
Tax collection services	49,664	41,175	51,248	45,395	59,050
Debt service					
Principal	485,000	445,000	420,000	395,000	265,000
Debt issuance costs	348,977	130,902			
Debt interest and fees	695,307	713,881	732,200	753,038	763,388
Contractual obligation	2,406,853	2,436,903	2,474,014	2,382,953	2,195,580
Total Expenditures	<u>3,985,801</u>	<u>3,767,861</u>	<u>3,677,462</u>	<u>3,576,386</u>	<u>3,283,018</u>
Revenues Over/(Under) Expenditures	<u>\$ (198,111)</u>	<u>\$ 16,875</u>	<u>\$ 133,220</u>	<u>\$ 23,101</u>	<u>\$ 52,219</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
92%	93%	94%	95%	93%
1%	1%	1%	*	1%
5%	5%	5%	5%	6%
			*	*
2%	1%	*	*	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	2%
13%	12%	11%	11%	8%
9%	3%			
18%	19%	19%	21%	23%
64%	64%	65%	66%	66%
105%	99%	96%	99%	99%
(5%)	1%	4%	1%	1%

**Fort Bend County Municipal Utility District No. 171**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2019**

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>
<b>Board Members</b>				
Jocelyn Ryan	5/16 - 5/20	\$ 2,550	\$ 250	President
Stacey Stone	5/16 - 5/20	1,950	378	Vice President
Richard Collier	5/18 - 5/22	1,650	57	Secretary
Samuel Edwards	5/18 - 5/22	2,400	616	Assistant Secretary
Sherry Gannon	5/18 - 5/22	4,050	1,445	Assistant Vice President
<b>Consultants</b>				
Allen Boone Humphries Robinson LL	2007	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 77,994		
<i>Bond counsel fees</i>		77,957		
F. Matuska, Inc.	2010	12,581		Bookkeeper
Assessments of the Southwest, Inc.	2007	15,374		Tax Collector
Fort Bend Central Appraisal District	Legislation	25,833		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	6,437		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2007	3,480		Engineer
McGrath & Co, PLLC	2010	11,950		Auditor
Masterson Advisors LLC	2018	71,566		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, 2019**



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

*WCG & Co, LLC*

Houston, Texas  
January 13, 2020

## **Management's Discussion and Analysis**

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***Fort Bend County Municipal Utility District No. 172  
Management's Discussion and Analysis  
September 30, 2019***

## **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, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 172**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2019, was negative \$20,456,120. 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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,660,856	\$ 5,519,711
Capital assets	4,025,179	4,159,352
Total assets	<u>10,686,035</u>	<u>9,679,063</u>
Current liabilities	3,331,617	953,501
Long-term liabilities	27,810,538	25,907,199
Total liabilities	<u>31,142,155</u>	<u>26,860,700</u>
Net position		
Net investment in capital assets	(853,191)	(930,494)
Restricted	2,747,233	2,372,631
Unrestricted	<u>(22,350,162)</u>	<u>(18,623,774)</u>
Total net position	<u>\$ (20,456,120)</u>	<u>\$ (17,181,637)</u>

**Fort Bend County Municipal Utility District No. 172**  
**Management's Discussion and Analysis**  
**September 30, 2019**

The total net position of the District decreased during the current fiscal year by \$3,274,483. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 6,587,084	\$ 6,454,520
City of Fulshear tax rebates	307,672	286,553
Other	<u>187,794</u>	<u>110,616</u>
Total revenues	<u>7,082,550</u>	<u>6,851,689</u>
Expenses		
Operating and administrative	828,293	752,712
Debt interest and fees	1,018,436	1,008,924
Developer interest		88,386
Debt issuance costs	53,847	230,271
Contractual obligation	3,751,675	3,665,371
Amortization	<u>134,173</u>	<u>134,173</u>
Total expenses	<u>5,786,424</u>	<u>5,879,837</u>
Change in net position before other item	1,296,126	971,852
Other item		
Transfers to other governments	<u>(4,570,609)</u>	<u>(125,939)</u>
Change in net position	(3,274,483)	845,913
Net position, beginning of year	<u>(17,181,637)</u>	<u>(18,027,550)</u>
Net position, end of year	<u>\$ (20,456,120)</u>	<u>\$ (17,181,637)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2019, were \$6,624,587, which consists of \$2,101,536 in the General Fund, \$2,801,127 in the Debt Service Fund and \$1,721,924 in the Capital Projects Fund.

*General Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,111,117</u>	<u>\$ 1,840,031</u>
Total liabilities	\$ 6,235	\$ 7,837
Total deferred inflows	3,346	2,414
Total fund balance	<u>2,101,536</u>	<u>1,829,780</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,111,117</u>	<u>\$ 1,840,031</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>2019</u>	<u>2018</u>
Total revenues	\$ 1,008,930	\$ 1,082,465
Total expenditures	<u>(737,174)</u>	<u>(638,365)</u>
Revenues over expenditures	<u>\$ 271,756</u>	<u>\$ 444,100</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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 2,827,275</u>	<u>\$ 2,454,290</u>
Total liabilities	\$ 2,713	\$ 2,787
Total deferred inflows	23,435	14,912
Total fund balance	<u>2,801,127</u>	<u>2,436,591</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,827,275</u>	<u>\$ 2,454,290</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 6,032,537	\$ 5,750,034
Total expenditures	<u>(5,668,001)</u>	<u>(5,550,354)</u>
Revenues over expenditures	<u>\$ 364,536</u>	<u>\$ 199,680</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.

**Fort Bend County Municipal Utility District No. 172  
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*Capital Projects Fund*

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

	2019	2018
Total assets	\$ 1,722,464	\$ 1,225,390
Total liabilities	\$ 540	\$ 9,005
Total fund balance	1,721,924	1,216,385
Total liabilities and fund balance	\$ 1,722,464	\$ 1,225,390

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

	2019	2018
Total revenues	\$ 31,628	\$ 18,166
Total expenditures	(1,876,089)	(1,525,910)
Revenues under expenditures	(1,844,461)	(1,507,744)
Other changes in fund balance	2,350,000	1,795,500
Net change in fund balance	\$ 505,539	\$ 287,756

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Bond Anticipation Note in the current year and issuance of its Series 2017 Unlimited Tax Bonds 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 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 \$97,536 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 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.

**Fort Bend County Municipal Utility District No. 172**  
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Capital assets held by the District at September 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets being amortized		
Interest in regional park facilities	\$ 4,427,698	\$ 4,427,698
Less accumulated amortization	<u>(402,519)</u>	<u>(268,346)</u>
Capital assets, net	<u>\$ 4,025,179</u>	<u>\$ 4,159,352</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. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2019, capital assets in the amount of \$4,570,609 has been 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, 2019, the District owes \$2,760,761 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$767,075 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

<u>Series</u>	<u>2019</u>	<u>2018</u>
2013	\$ 4,740,000	\$ 4,895,000
2014	7,440,000	7,640,000
2015	7,300,000	7,450,000
2016 Park	4,500,000	4,700,000
2017	<u>2,400,000</u>	<u>2,550,000</u>
	<u>\$ 26,380,000</u>	<u>\$ 27,235,000</u>

At September 30, 2019, 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.

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During the year, the District issued a \$2,350,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District repaid this BAN subsequent to year end 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:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 1,008,930	\$ 909,500
Total expenditures	<u>(737,174)</u>	<u>(793,990)</u>
Revenues over expenditures	271,756	115,510
Beginning fund balance	<u>1,829,780</u>	<u>2,101,536</u>
Ending fund balance	<u><u>\$ 2,101,536</u></u>	<u><u>\$ 2,217,046</u></u>

**Property Taxes**

The District's property tax base increased approximately \$49,401,000 for the 2019 tax year from \$565,974,133 to \$615,374,818. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.145 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 \$1.135 per \$100. Tax rates for the 2018 tax year were \$0.17 per \$100 for maintenance and operations, \$0.295 per \$100 for debt service and \$0.695 per \$100 for contract tax for a combined total of \$1.16 per \$100 of assessed value.

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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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 10,736	\$ 10,704	\$ -	\$ 21,440	\$ -	\$ 21,440
Investments	2,098,056	2,788,187	1,722,464	6,608,707		6,608,707
Taxes receivable	3,346	23,435		26,781		26,781
Other receivables		3,928		3,928		3,928
Internal balances	(1,021)	1,021				
Capital assets, net					4,025,179	4,025,179
Total Assets	<u>\$2,111,117</u>	<u>\$2,827,275</u>	<u>\$1,722,464</u>	<u>\$6,660,856</u>	<u>4,025,179</u>	<u>10,686,035</u>
<b>Liabilities</b>						
Accounts payable	\$ 5,845	\$ -	\$ 540	\$ 6,385		6,385
Other payables	390	2,713		3,103		3,103
Accrued interest payable					92,129	92,129
Bond anticipation note payable					2,350,000	2,350,000
Due to developers					2,760,761	2,760,761
Long-term debt						
Due within one year					880,000	880,000
Due after one year					25,049,777	25,049,777
Total Liabilities	<u>6,235</u>	<u>2,713</u>	<u>540</u>	<u>9,488</u>	<u>31,132,667</u>	<u>31,142,155</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>3,346</u>	<u>23,435</u>		<u>26,781</u>	<u>(26,781)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		2,801,127	1,721,924	4,523,051	(4,523,051)	
Unassigned	<u>2,101,536</u>			<u>2,101,536</u>	<u>(2,101,536)</u>	
Total Fund Balances	<u>2,101,536</u>	<u>2,801,127</u>	<u>1,721,924</u>	<u>6,624,587</u>	<u>(6,624,587)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,111,117</u>	<u>\$2,827,275</u>	<u>\$1,722,464</u>	<u>\$6,660,856</u>		
<b>Net Position</b>						
Net investment in capital assets					(853,191)	(853,191)
Restricted for debt service					2,747,233	2,747,233
Unrestricted					<u>(22,350,162)</u>	<u>(22,350,162)</u>
Total Net Position					<u>\$(20,456,120)</u>	<u>\$(20,456,120)</u>

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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 961,216	\$ 5,596,662	\$ -	\$ 6,557,878	\$ 7,012	\$ 6,564,890
Penalties and interest		19,751		19,751	2,443	22,194
City of Fulshear tax rebates		307,672		307,672		307,672
Miscellaneous		120		120		120
Investment earnings	47,714	108,332	31,628	187,674		187,674
<b>Total Revenues</b>	<b>1,008,930</b>	<b>6,032,537</b>	<b>31,628</b>	<b>7,073,095</b>	<b>9,455</b>	<b>7,082,550</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	91,112		12,394	103,506		103,506
Contracted services	9,600	76,450		86,050		86,050
Master District fees	618,930			618,930		618,930
Administrative	17,532	2,275		19,807		19,807
Capital outlay			1,809,848	1,809,848	(1,809,848)	
Debt service						
Principal		855,000		855,000	(855,000)	
Interest and fees		982,601		982,601	35,835	1,018,436
Debt issuance costs			53,847	53,847		53,847
Contractual obligation		3,751,675		3,751,675		3,751,675
Amortization					134,173	134,173
<b>Total Expenditures/Expenses</b>	<b>737,174</b>	<b>5,668,001</b>	<b>1,876,089</b>	<b>8,281,264</b>	<b>(2,494,840)</b>	<b>5,786,424</b>
<b>Revenues Over/(Under)     Expenditures/Expenses</b>	<b>271,756</b>	<b>364,536</b>	<b>(1,844,461)</b>	<b>(1,208,169)</b>	<b>2,504,295</b>	<b>1,296,126</b>
<b>Other Financing Sources</b>						
Proceeds from bond anticipation note			2,350,000	2,350,000	(2,350,000)	
<b>Other Item</b>						
Transfers to other governments					(4,570,609)	(4,570,609)
<b>Net Change in Fund Balances</b>	<b>271,756</b>	<b>364,536</b>	<b>505,539</b>	<b>1,141,831</b>	<b>(1,141,831)</b>	
<b>Change in Net Position</b>					<b>(3,274,483)</b>	<b>(3,274,483)</b>
<b>Fund Balance/Net Position</b>						
Beginning of the year	1,829,780	2,436,591	1,216,385	5,482,756	(22,664,393)	(17,181,637)
<b>End of the year</b>	<b>\$ 2,101,536</b>	<b>\$ 2,801,127</b>	<b>\$ 1,721,924</b>	<b>\$ 6,624,587</b>	<b>\$(27,080,707)</b>	<b>\$(20,456,120)</b>

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, 2019***

**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 (“GASB”). The following is a summary of the most significant policies:

**Creation**

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

**Government-Wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District 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 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and 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.

**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, 2019, 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

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.

**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 City of Fulshear tax rebates and property taxes levied for debt service and the District's contractual obligations to the Master District in the Debt Service Fund.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances – Governmental Funds (continued)**

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the 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.

**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds		\$ 6,624,587
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>(402,519)</u>	
Change due to capital assets		4,025,179
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	(25,929,777)	
Bond anticipation note payable	(2,350,000)	
Interest payable on bonds	<u>(92,129)</u>	
Change due to long-term debt		(28,371,906)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(2,760,761)
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.		26,781
Total net position - governmental activities		<u><u>\$ (20,456,120)</u></u>

**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

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

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

Net change in fund balances - total governmental funds \$ 1,141,831

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. 9,455

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

Capital outlays	\$ 1,809,848	
Amortization expense	(134,173)	
		1,675,675

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 bond anticipation note	(2,350,000)	
Principal payments	855,000	
Interest expense accrual	(35,835)	
		(1,530,835)

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. (4,570,609)

Change in net position of governmental activities \$ (3,274,483)



**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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,098,056	AAAm	34 days
	Debt Service	2,788,187		
	Capital Projects	1,722,464		
Total		<u>\$ 6,608,707</u>		

*Fort Bend County Municipal Utility District No. 172*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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, 2019, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
Debt Service Fund	General Fund	\$ 1,021	Maintenance tax allocation of value reduction refunds

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, 2019**

**Note 5 – Capital Assets**

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

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 4,427,698	\$ -	\$ 4,427,698
Less accumulated amortization	(268,346)	(134,173)	(402,519)
Capital assets, net	<u>\$ 4,159,352</u>	<u>\$ (134,173)</u>	<u>\$ 4,025,179</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.

On June 18, 2019, the District issued a \$2,350,000 BAN with an interest rate of 2.18%, which is due on June 16, 2020. This BAN was repaid subsequent to year end. See Note 14 for additional information.

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

Beginning balance	\$ -
Amounts borrowed	<u>2,350,000</u>
Ending balance	<u>\$ 2,350,000</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 cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Due to Developers (continued)**

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

Due to developers, beginning of year	\$ -
Developer funded construction and adjustments	4,570,609
Developer reimbursements	<u>(1,809,848)</u>
Due to developers, end of year	<u>\$ 2,760,761</u>

In addition, the District will owe the developers approximately \$767,075, 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 13	\$ 767,075	\$ -	\$ 767,075

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 26,380,000
Unamortized discounts	<u>(450,223)</u>
	<u>\$ 25,929,777</u>
 Due within one year	 <u>\$ 880,000</u>

*Fort Bend County Municipal Utility District No. 172*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 8 – Long-Term Debt (continued)**

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 4,740,000	\$ 5,305,000	3.00% - 5.00%	September 1, 2014/2037	March 1, September 1	September 1, 2021
2014	7,440,000	8,180,000	2.25% - 4.125%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	7,300,000	7,730,000	2.00% - 4.00%	September 1, 2017/2040	March 1, September 1	September 1, 2023
2016 Park	4,500,000	4,900,000	2.00% - 4.00%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017	2,400,000	2,700,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
	<u>\$ 26,380,000</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, 2019, 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.

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

Bonds payable, beginning of year	\$ 27,235,000
Bonds retired	<u>(855,000)</u>
Bonds payable, end of year	<u>\$ 26,380,000</u>

**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 8 – Long-Term Debt (continued)**

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

Year	Principal	Interest	Totals
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>\$ 26,380,000</u>	<u>\$ 12,530,998</u>	<u>\$ 38,910,998</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, 2019**

**Note 9 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.16 per \$100 of assessed value, of which \$0.17 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 \$6,565,300 on the adjusted taxable value of \$565,974,133.

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

Current year taxes receivable	\$ 12,325
Prior years taxes receivable	8,670
	<u>20,995</u>
Penalty and interest receivable	5,786
Property taxes receivable	<u>\$ 26,781</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*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended September 30, 2019, the District reported transfers to other governments in the amount of \$4,570,609 for projects completed and transferred to the City.

**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 terminates May 14, 2044, unless otherwise previously terminated.

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, 2019**

**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, prior to the Third Amendment to Utility Agreement dated July 16, 2019, the City 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 agreed to 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. For the fiscal year ended September 30, 2019, the District collected \$307,672 in City tax rebates.

Pursuant to the Third Amendment to Utility Agreement dated July 16, 2019, the District and the City agreed to revise the method of calculating the annual payment to the District.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28<sup>th</sup> of each year, until and including February 28, 2044 (the “Annual Payment”); provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities.

The Annual Payment shall be calculated annually and is equal to a percentage (the “Percentage”), initially 0.062510%, times the taxable assessed value for all property within the District on the City’s tax rolls. The Percentage shall be adjusted based on the City’s tax rate as follows:

<b>City Ad Valorem Tax Rate Per \$100 of Assessed Value</b>	<b>Percentage</b>
\$0.219999 or less	0.062510%
\$0.22 -- \$0.239999	0.07%
\$0.24 -- \$0.259999	0.08%
\$0.26 -- \$0.279999	0.09%
\$0.28 -- \$0.299999	0.10%
\$0.30 or higher	0.11%



*Fort Bend County Municipal Utility District No. 172*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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 \$618,930 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 year, the District did not pay any 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 2018 tax year, the District’s pro rata share is 41.27%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$3,751,675 to the Master District for its pro rata share of Master District debt service requirements.

**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 12 – Master District (continued)**

As of September 30, 2019, the Master District has \$130,030,000 contract revenue bonds outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2020	\$ 5,120,000	\$ 4,323,833	\$ 9,443,833
2021	5,400,000	4,210,238	9,610,238
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,744	9,419,744
2024	5,245,000	3,680,069	8,925,069
2025 - 2029	27,795,000	15,978,875	43,773,875
2030 - 2034	30,945,000	11,277,485	42,222,485
2035 - 2039	30,895,000	5,486,068	36,381,068
2040 - 2044	13,580,000	1,036,038	14,616,038
	\$ 130,030,000	\$ 53,870,022	\$ 183,900,022

The Contract also provides for an operating and maintenance reserve equivalent to three month’s operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall adjust the reserve as needed.

**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**

**Issuance of Unlimited Tax Bonds**

On December 17, 2019, the District issued its \$4,450,000 Series 2019 Unlimited Tax Bonds at a net effective rate of 2.968108%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements and to repay the Series 2019 Bond Anticipation Note issued in the current year. The TCEQ approved the use of surplus funds in the amount of \$550,000 from a previous bond issue to reduce the bond issue requirement.

**Master District Debt Issuance**

On December 5, 2019, the Master District issued its \$17,580,000 Series 2019A Contract Revenue Bonds at a net effective rate of 2.95933%. Proceeds from the bonds were used to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2019 Bond Anticipation Note.

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## **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, 2019*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 888,980	\$ 961,216	\$ 72,236
Investment earnings	24,000	47,714	23,714
<b>Total Revenues</b>	<u>912,980</u>	<u>1,008,930</u>	<u>95,950</u>
<b>Expenditures</b>			
Operating and administrative			
Professional fees	109,750	91,112	18,638
Contracted services	11,000	9,600	1,400
Master District fees	590,760	618,930	(28,170)
Administrative	27,250	17,532	9,718
<b>Total Expenditures</b>	<u>738,760</u>	<u>737,174</u>	<u>1,586</u>
<b>Revenues Over Expenditures</b>	174,220	271,756	97,536
<b>Fund Balance</b>			
Beginning of the year	1,829,780	1,829,780	
<b>End of the year</b>	<u>\$ 2,004,000</u>	<u>\$ 2,101,536</u>	<u>\$ 97,536</u>

*Fort Bend County Municipal Utility District No. 172*  
*Notes to Required Supplementary Information*  
*September 30, 2019*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**



**Fort Bend County Municipal Utility District No. 172**

**TSI-1. Services and Rates**

**September 30, 2019**

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 interconn                      |   |  |                                     |
| <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)

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, 2019*

Professional fees		
Legal	\$	79,378
Audit		10,750
Engineering		984
		<u>91,112</u>
Contracted services		
Bookkeeping		<u>9,600</u>
Master District fees		<u>618,930</u>
Administrative		
Directors fees		9,150
Printing and office supplies		1,040
Insurance		3,742
Other		3,600
		<u>17,532</u>
Total expenditures	\$	<u><u>737,174</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, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 2,098,056</u>
Debt Service			
TexPool	Variable	N/A	1,931,320
TexPool	Variable	N/A	<u>856,867</u>
			<u>2,788,187</u>
Capital Projects			
TexPool	Variable	N/A	99,802
TexPool	Variable	N/A	<u>1,622,662</u>
			<u>1,722,464</u>
Total - All Funds			<u><u>\$ 6,608,707</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 172**

**TSI-4. Taxes Levied and Receivable**

**September 30, 2019**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 2,414	\$ 3,433	\$ 8,135	\$ 13,982
Adjustments to Prior Year Tax Levy	(10)	(14)	(35)	(59)
Adjusted Receivable	2,404	3,419	8,100	13,923
2018 Original Tax Levy	962,268	1,669,818	3,933,978	6,566,064
Adjustments	(112)	(194)	(458)	(764)
Adjusted Tax Levy	962,156	1,669,624	3,933,520	6,565,300
Total to be accounted for	964,560	1,673,043	3,941,620	6,579,223
Tax collections:				
Current year	960,350	1,666,489	3,926,136	6,552,975
Prior years	864	1,308	3,081	5,253
Total Collections	961,214	1,667,797	3,929,217	6,558,228
Taxes Receivable, End of Year	\$ 3,346	\$ 5,246	\$ 12,403	\$ 20,995
Taxes Receivable, By Years				
2018	\$ 1,806	\$ 3,135	\$ 7,384	\$ 12,325
2017	678	1,025	2,415	4,118
2016	862	1,086	2,604	4,552
Taxes Receivable, End of Year	\$ 3,346	\$ 5,246	\$ 12,403	\$ 20,995
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 128,681,972	\$ 124,489,792	\$ 114,089,442	\$ 102,665,392
Improvements	447,483,294	429,225,051	412,277,100	323,311,350
Personal Property	5,274,290	4,479,090	3,403,127	2,390,420
Exemptions	(15,465,423)	(15,431,976)	(11,739,107)	(18,585,512)
Total Property Valuations	\$ 565,974,133	\$ 542,761,957	\$ 518,030,562	\$ 409,781,650
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.170	\$ 0.195	\$ 0.230	\$ 0.3018
Debt service tax rates	0.295	0.295	0.290	0.2850
Contract tax rates	0.695	0.695	0.695	0.6950
Total Tax Rates per \$100 Valuation	\$ 1.160	\$ 1.1850	\$ 1.2150	\$ 1.2818
Adjusted Tax Levy:	\$ 6,565,300	\$ 6,431,729	\$ 6,294,071	\$ 5,252,581
Percentage of Taxes Collected to Taxes Levied ***	99.81%	99.94%	99.93%	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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 4,740,000</u>	<u>\$ 2,464,763</u>	<u>\$ 7,204,763</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 7,440,000</u>	<u>\$ 3,600,569</u>	<u>\$ 11,040,569</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, 2019*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
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>\$ 7,300,000</u>	<u>\$ 3,759,042</u>	<u>\$ 11,059,042</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
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>\$ 4,500,000</u>	<u>\$ 1,813,500</u>	<u>\$ 6,313,500</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
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>\$ 2,400,000</u>	<u>\$ 893,125</u>	<u>\$ 3,293,125</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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 26,380,000</u>	<u>\$ 12,530,998</u>	<u>\$ 38,910,998</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, 2019**

	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	\$ 4,895,000	\$ 7,640,000	\$ 7,450,000	\$ 4,700,000
Bonds retired	(155,000)	(200,000)	(150,000)	(200,000)
Ending bonds outstanding	<u>\$ 4,740,000</u>	<u>\$ 7,440,000</u>	<u>\$ 7,300,000</u>	<u>\$ 4,500,000</u>
Interest paid during fiscal year	<u>\$ 217,450</u>	<u>\$ 283,756</u>	<u>\$ 254,394</u>	<u>\$ 149,000</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A. Dallas, Texas</u>			
		Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds
Bond Authority:				
Amount Authorized by Voters		\$ 171,878,000	\$ 80,640,000	\$ 31,710,000
Amount Issued		(23,915,000)	(4,900,000)	
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, 2019: \$ 2,798,891

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,691,783

See accompanying auditors' report.

<u>Bond Issue</u>		<u>Totals</u>
<u>Series 2017</u>		
2.00% - 3.50%		
3/1; 9/1		
9/1/18 -		
9/1/42		
\$ 2,550,000	\$	27,235,000
<u>(150,000)</u>		<u>(855,000)</u>
<u>\$ 2,400,000</u>	<u>\$</u>	<u>26,380,000</u>
<u>\$ 74,500</u>	<u>\$</u>	<u>979,100</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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 961,216	\$ 1,057,826	\$ 1,199,470	\$ 1,231,366	\$ 729,103
Interest	47,714	24,639	6,111	795	309
Total Revenues	1,008,930	1,082,465	1,205,581	1,232,161	729,412
Expenditures					
Operating and administrative					
Professional fees	91,112	86,293	158,328	102,013	52,344
Contracted services	9,600	9,500	9,680	9,620	8,645
Repairs and maintenance			40,000		
Master District fees	618,930	526,470	568,170	457,200	443,700
Administrative	17,532	15,802	19,151	17,547	15,352
Total Expenditures	737,174	638,065	795,329	586,380	520,041
Revenues Over Expenditures	\$ 271,756	\$ 444,400	\$ 410,252	\$ 645,781	\$ 209,371

\* Percent is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
95%	98%	99%	100%	100%
5%	2%	1%	*	*
100%	100%	100%	100%	100%
9%	8%	13%	8%	7%
1%	1%	1%	1%	1%
		3%		
61%	49%	47%	37%	61%
2%	1%	2%	1%	2%
73%	59%	66%	47%	71%
27%	41%	34%	53%	29%



**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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 5,596,662	\$ 5,366,443	\$ 5,112,897	\$ 3,998,379	\$ 2,176,352
Penalties and interest	19,751	25,137	50,373	24,083	13,238
City of Fulshear tax rebates	307,672	286,553	251,658	221,102	147,898
Accrued interest on bonds sold		4,090	5,525	10,111	6,576
Miscellaneous	120	280	120	90	140
Investment earnings	108,332	67,531	25,418	4,016	2,060
Total Revenues	6,032,537	5,750,034	5,445,991	4,257,781	2,346,264
Expenditures					
Tax collection services	78,725	72,482	77,029	53,424	39,084
Debt service					
Principal	855,000	830,000	450,000	300,000	
Interest and fees	982,601	982,501	896,174	724,155	452,180
Contractual obligation	3,751,675	3,665,371	3,412,723	2,677,799	1,461,329
Total Expenditures	5,668,001	5,550,354	4,835,926	3,755,378	1,952,593
Revenues Over Expenditures	\$ 364,536	\$ 199,680	\$ 610,065	\$ 502,403	\$ 393,671
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

2019	2018	2017	2016	2015
93%	93%	94%	94%	93%
*	*	1%	1%	1%
5%	6%	5%	5%	6%
	*	*	*	*
*	*	*	*	*
2%	1%	*	*	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	2%
14%	14%	8%	7%	
16%	17%	16%	17%	19%
62%	64%	63%	63%	62%
93%	96%	88%	88%	83%
7%	4%	12%	12%	17%

**Fort Bend County Municipal Utility District No. 172**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2019**

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

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District Business Telephone Number: (713) 860-6400

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Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): February 18, 2019

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

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(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
<b>Board Members</b>				
Kenneth Martinec	05/16 - 05/20	\$ 1,950	\$ 468	President
Kevin Shipley	02/19 - 05/22	1,500	155	Vice President
William Martin	06/17 - 05/20	2,550	510	Secretary
Shannon Lopez	05/18 - 05/22	1,200	46	Assistant Vice President
Jennifer Quade	5/18 - 05/22	1,200	270	Assistant Secretary
William Conlan	05/18 - 02/19	750	106	Former Director
<b>Consultants</b>				
Allen Boone Humphries Robinson LL	2008	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 86,173		
<i>Bond counsel</i>		23,529		
F. Matuska, Inc.	2010	10,822		Bookkeeper
Assessments of the Southwest, Inc.	2010	21,186		Tax Collector
Fort Bend Central Appraisal District	Legislation	54,386		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	878		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2010	984		Engineer
McGrath & Co., PLLC	2013	16,350		Auditor
Masterson Advisors, LLC	2018	17,000		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, 2019**



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



***Board of Directors  
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, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

*WCG & Co, LLC*

Houston, Texas  
January 8, 2020

## **Management's Discussion and Analysis**

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***Fort Bend County Municipal Utility District No. 173  
Management's Discussion and Analysis  
September 30, 2019***

## **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, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

**Fort Bend County Municipal Utility District No. 173  
 Management’s Discussion and Analysis  
 September 30, 2019**

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District’s net position at September 30, 2019, was negative \$19,394,980. 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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 2,086,470	\$ 2,152,114
Current liabilities	3,731,780	3,758,391
Long-term liabilities	<u>17,749,670</u>	<u>16,118,095</u>
Total liabilities	<u>21,481,450</u>	<u>19,876,486</u>
Net position		
Restricted	674,720	601,014
Unrestricted	<u>(20,069,700)</u>	<u>(18,325,386)</u>
Total net position	<u>\$ (19,394,980)</u>	<u>\$ (17,724,372)</u>

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The total net position of the District decreased during the current fiscal year by \$1,670,608. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Property taxes, penalties and interest	\$ 3,407,138	\$ 2,316,549
City of Fulshear tax rebates	143,025	96,370
Other	54,986	196,277
Total revenues	<u>3,605,149</u>	<u>2,609,196</u>
Expenses		
Operating and administrative	783,045	680,308
Debt interest and fees	605,450	380,113
Developer interest	360,305	435,626
Debt issuance costs	490,218	619,147
Contractual obligation	1,738,303	1,178,716
Total expenses	<u>3,977,321</u>	<u>3,293,910</u>
Change in net position before other item	(372,172)	(684,714)
Other item		
Transfers to other governments	<u>(1,298,436)</u>	<u>(3,836,720)</u>
Change in net position	(1,670,608)	(4,521,434)
Net position, beginning of year	<u>(17,724,372)</u>	<u>(13,202,938)</u>
Net position, end of year	<u>\$ (19,394,980)</u>	<u>\$ (17,724,372)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of September 30, 2019, were \$2,068,460, which consists of \$220,957 in the General Fund, \$715,193 in the Debt Service Fund, and \$1,132,310 in the Capital Projects Fund.

*General Fund*

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 229,523</u>	<u>\$ 115,357</u>
Total liabilities	\$ 6,378	\$ 6,136
Total deferred inflows	2,188	871
Total fund balance	<u>220,957</u>	<u>108,350</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 229,523</u>	<u>\$ 115,357</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>2019</u>	<u>2018</u>
Total revenues	\$ 766,531	\$ 640,729
Total expenditures	<u>(653,924)</u>	<u>(571,594)</u>
Revenues over expenditures	112,607	69,135
Other changes in fund balance		97,000
Net change in fund balance	<u>\$ 112,607</u>	<u>\$ 166,135</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 and operations component of its tax levy, 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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 723,898</u>	<u>\$ 633,422</u>
Total liabilities	\$ 503	\$ 503
Total deferred inflows	8,202	2,175
Total fund balance	<u>715,193</u>	<u>630,744</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 723,898</u>	<u>\$ 633,422</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 2,808,927	\$ 1,797,591
Total expenditures	<u>(2,724,478)</u>	<u>(1,650,689)</u>
Revenues over expenditures	84,449	146,902
Other changes in fund balance		235,438
Net change in fund balance	<u>\$ 84,449</u>	<u>\$ 382,340</u>

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The District’s financial resources in the Debt Service Fund in both the current and prior year are from property tax revenues and City of Fulshear tax rebates. During the previous fiscal year, financial resources also included 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, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 1,133,049</u>	<u>\$ 1,403,335</u>
Total liabilities	\$ 739	\$ 1,291
Total fund balance	<u>1,132,310</u>	<u>1,402,044</u>
Total liabilities and fund balance	<u>\$ 1,133,049</u>	<u>\$ 1,403,335</u>

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

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 22,347	\$ 184,234
Total expenditures	<u>(5,112,981)</u>	<u>(5,933,942)</u>
Revenues under expenditures	(5,090,634)	(5,749,708)
Other changes in fund balance	<u>4,820,900</u>	<u>6,247,362</u>
Net change in fund balance	<u>\$ (269,734)</u>	<u>\$ 497,654</u>

The District has had considerable capital asset activity in the current year, which was financed with proceeds from the issuance of its Series 2018 Unlimited Tax Bonds, Series 2019 Bond Anticipation Note, and the use of surplus funds from a previous bond issue. The District’s capital asset activity in prior year was financed from the issuance of its Series 2017 Unlimited Tax Bonds and Series 2018 Bond Anticipation Note.

**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.



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Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$17,063 less 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 developers 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. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2019, capital assets in the amount of \$1,298,436 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, 2019, the District owes \$1,914,670 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$184,735 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

Series	2019	2018
2016	\$ 4,595,000	\$ 4,700,000
2017	6,725,000	7,000,000
2018	5,000,000	
	\$ 16,320,000	\$ 11,700,000

During the year, the District issued \$5,000,000 in unlimited tax bonds. At September 30, 2019, the District had \$86,576,000 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; \$24,430,000 for road improvements and refunding purposes.

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During the year, the District issued a \$3,170,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. This BAN was repaid subsequent to year end. See Notes 5 and 13 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:

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 766,531	\$ 1,155,440
Total expenditures	<u>(653,924)</u>	<u>(677,060)</u>
Revenues over expenditures	112,607	478,380
Beginning fund balance	<u>108,350</u>	<u>220,957</u>
Ending fund balance	<u><u>\$ 220,957</u></u>	<u><u>\$ 699,337</u></u>

**Property Taxes**

The District's property tax base increased approximately \$130,363,000 for the 2019 tax year from \$254,211,192 to \$384,574,672. This increase was primarily due to new construction in the District and increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.30838 per \$100 of assessed value, a contract tax rate of \$0.675 per \$100 assessed value, and a debt service tax rate of \$0.355 per \$100 of assessed value, for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2018 tax year were \$0.30338 per \$100 for maintenance and operations, \$0.705 per \$100 for contract tax, and \$0.33 per \$100 for debt service for a combined total of \$1.33838 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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 10,357	\$ 341,674	\$ 9,245	\$ 361,276	\$ -	\$ 361,276
Investments	216,531	372,535	1,123,804	1,712,870		1,712,870
Taxes receivable	2,188	8,202		10,390		10,390
Internal balances	447	(447)				
Other receivables		1,934		1,934		1,934
<b>Total Assets</b>	<b>\$ 229,523</b>	<b>\$ 723,898</b>	<b>\$ 1,133,049</b>	<b>\$2,086,470</b>		<b>2,086,470</b>
<b>Liabilities</b>						
Accounts payable	\$ 5,892	\$ -	\$ 739	\$ 6,631		6,631
Other payables	486	503		989		989
Accrued interest payable					69,160	69,160
Bond anticipation note payable					3,170,000	3,170,000
Due to developers					1,914,670	1,914,670
Long-term debt						
Due within one year					485,000	485,000
Due after one year					15,835,000	15,835,000
<b>Total Liabilities</b>	<b>6,378</b>	<b>503</b>	<b>739</b>	<b>7,620</b>	<b>21,473,830</b>	<b>21,481,450</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	2,188	8,202		10,390	(10,390)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		715,193	1,132,310	1,847,503	(1,847,503)	
Unassigned	220,957			220,957	(220,957)	
<b>Total Fund Balances</b>	<b>220,957</b>	<b>715,193</b>	<b>1,132,310</b>	<b>2,068,460</b>	<b>(2,068,460)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 229,523</b>	<b>\$ 723,898</b>	<b>\$ 1,133,049</b>	<b>\$2,086,470</b>		
<b>Net Position</b>						
Restricted for debt service					674,720	674,720
Unrestricted					(20,069,700)	(20,069,700)
<b>Total Net Position</b>					<b>\$(19,394,980)</b>	<b>\$(19,394,980)</b>

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, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 761,743	\$ 2,628,656	\$ -	\$ 3,390,399	\$ 5,930	\$ 3,396,329
Penalties and interest		9,395		9,395	1,414	10,809
City of Fulshear tax rebates		143,025		143,025		143,025
Miscellaneous		122		122		122
Investment earnings	4,788	27,729	22,347	54,864		54,864
<b>Total Revenues</b>	<b>766,531</b>	<b>2,808,927</b>	<b>22,347</b>	<b>3,597,805</b>	<b>7,344</b>	<b>3,605,149</b>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	94,347	721	73,776	168,844		168,844
Contracted services	9,700	51,215		60,915		60,915
Administrative	16,267	415	139	16,821		16,821
Other			2,855	2,855		2,855
Master District fees	533,610			533,610		533,610
Capital outlay			4,152,761	4,152,761	(4,152,761)	
Debt service						
Principal		380,000		380,000	(380,000)	
Interest and fees		553,824	32,927	586,751	18,699	605,450
Developer interest			360,305	360,305		360,305
Debt issuance costs			490,218	490,218		490,218
Contractual obligation		1,738,303		1,738,303		1,738,303
<b>Total Expenditures/Expenses</b>	<b>653,924</b>	<b>2,724,478</b>	<b>5,112,981</b>	<b>8,491,383</b>	<b>(4,514,062)</b>	<b>3,977,321</b>
<b>Revenues Over/ (Under) Expenditures/Expenses</b>	<b>112,607</b>	<b>84,449</b>	<b>(5,090,634)</b>	<b>(4,893,578)</b>	<b>4,521,406</b>	<b>(372,172)</b>
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds			5,000,000	5,000,000	(5,000,000)	
Proceeds from bond anticipation note			3,170,000	3,170,000	(3,170,000)	
Repayment of bond anticipation note			(3,320,000)	(3,320,000)	3,320,000	
Repayment of operating advances			(29,100)	(29,100)	29,100	
<b>Other Item</b>						
Transfers to other governments					(1,298,436)	(1,298,436)
<b>Net Change in Fund Balances</b>	<b>112,607</b>	<b>84,449</b>	<b>(269,734)</b>	<b>(72,678)</b>	<b>72,678</b>	
<b>Change in Net Position</b>					<b>(1,670,608)</b>	<b>(1,670,608)</b>
Fund Balance/Net Position						
Beginning of the year	108,350	630,744	1,402,044	2,141,138	(19,865,510)	(17,724,372)
<b>End of the year</b>	<b>\$ 220,957</b>	<b>\$ 715,193</b>	<b>\$ 1,132,310</b>	<b>\$ 2,068,460</b>	<b>\$(21,463,440)</b>	<b>\$(19,394,980)</b>

See notes to basic financial statements.

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***Fort Bend County Municipal Utility District No. 173***  
***Notes to Basic Financial Statements***  
***September 30, 2019***

**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 (“GASB”). The following is a summary of the most significant policies:

**Creation**

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

**Government-Wide and Fund Financial Statements**

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



**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

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

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

- The General Fund is used to account for the operations of the District 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 full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments 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 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting (continued)**

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

**Use of Restricted Resources**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, 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.

*Fort Bend County Municipal Utility District No. 173*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Net Position – Governmental Activities (continued)**

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 City of Fulshear tax rebates 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. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**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 value of amounts due to developer 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.

**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		\$ 2,068,460
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	\$ 8,374	
Penalty and interest receivable	2,016	
Change due to property taxes	10,390	10,390
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	(16,320,000)	
Bond anticipation note payable	(3,170,000)	
Interest payable on bonds	(69,160)	
Change due to long-term debt	(19,559,160)	(19,559,160)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		
		(1,914,670)
Total net position - governmental activities		\$ (19,394,980)

**Fort Bend County Municipal Utility District No. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

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

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

Net change in fund balances - total governmental funds \$ (72,678)

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. 7,344

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*. 4,152,761

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	\$ (5,000,000)	
Issuance of bond anticipation note	(3,170,000)	
Principal payments	380,000	
Repayment of bond anticipation note	3,320,000	
Interest expense accrual	<u>(18,699)</u>	
		(4,488,699)

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*. 29,100

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. (1,298,436)

Change in net position of governmental activities \$ (1,670,608)

**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, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 216,531	AAAm	34 days
	Debt Service	372,535		
	Capital Projects	1,123,804		
		<u>\$ 1,712,870</u>		

*Fort Bend County Municipal Utility District No. 173  
Notes to Basic Financial Statements  
September 30, 2019*

**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, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 447	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 \$3,320,000. This BAN was repaid on December 18, 2018 with proceeds from the issuance of the District’s Series 2018 Unlimited Tax Bonds.

**Fort Bend County Municipal Utility District No. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 5 – Bond Anticipation Note (continued)**

On June 19, 2019, the District issued a \$3,170,000 BAN with an interest rate of 2.29%, which is due on June 17, 2020. This BAN was repaid subsequent to year end. See Note 13 for additional information.

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

Beginning balance	\$ 3,320,000
Amounts borrowed	3,170,000
Amounts repaid	<u>(3,320,000)</u>
Ending balance	<u><u>\$ 3,170,000</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 cost is estimated based on construction costs plus 10-15% for engineering and other fees. These estimates are trued up when the developers are reimbursed.

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

Due to developers, beginning of year	\$ 4,798,095
Developer reimbursements	(4,152,761)
Repayment of operating advances	(29,100)
Developer funded construction and adjustments	<u>1,298,436</u>
Due to developers, end of year	<u><u>\$ 1,914,670</u></u>

In addition, the District will owe the developers approximately \$184,735, 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</u> <u>Amount</u>	<u>Amounts</u> <u>Paid</u>	<u>Remaining</u> <u>Commitment</u>
Water, sewer and drainage facilities to serve Market at Cross Creek Ranch Phase 3	\$ 184,735	\$ -	\$ 184,735



**Fort Bend County Municipal Utility District No. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 7 – Long–Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 16,320,000</u>
Due within one year	<u>\$ 485,000</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/Ending	Interest Payment Dates	Call Dates
2016	\$ 4,595,000	\$ 4,800,000	2.00% - 3.875%	September 1, 2018/2042	March 1, September 1	September 1, 2024
2017	6,725,000	7,000,000	2.00% - 4.50%	September 1, 2019/2043	March 1, September 1	September 1, 2025
2018	5,000,000	5,000,000	4.00% - 6.50%	September 1, 2020/2044	March 1, September 1	September 1, 2024
	<u>\$ 16,320,000</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, 2019, the District had authorized but unissued bonds in the amount of \$86,576,000 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 18, 2018, the District issued its \$5,000,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 4.381222%. Proceeds of the bonds were used to 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 to repay a \$3,320,000 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	\$ 11,700,000
Bonds issued	5,000,000
Bonds retired	<u>(380,000)</u>
Bonds payable, end of year	<u>\$ 16,320,000</u>

*Fort Bend County Municipal Utility District No. 173*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**Note 7 – Long-Term Debt (continued)**

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

Year	Principal	Interest	Totals
2020	\$ 485,000	\$ 604,244	\$ 1,089,244
2021	490,000	583,169	1,073,169
2022	500,000	560,844	1,060,844
2023	505,000	538,219	1,043,219
2024	510,000	515,444	1,025,444
2025	515,000	492,519	1,007,519
2026	525,000	476,319	1,001,319
2027	530,000	461,225	991,225
2028	540,000	445,794	985,794
2029	545,000	429,719	974,719
2030	580,000	412,844	992,844
2031	590,000	393,744	983,744
2032	625,000	374,081	999,081
2033	660,000	352,831	1,012,831
2034	670,000	330,231	1,000,231
2035	680,000	306,662	986,662
2036	715,000	282,732	997,732
2037	755,000	256,794	1,011,794
2038	765,000	229,294	994,294
2039	805,000	201,075	1,006,075
2040	845,000	170,632	1,015,632
2041	885,000	138,231	1,023,231
2042	910,000	104,219	1,014,219
2043	940,000	68,825	1,008,825
2044	750,000	31,875	781,875
	<u>\$ 16,320,000</u>	<u>\$ 8,761,566</u>	<u>\$ 25,081,566</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 \$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.

**Fort Bend County Municipal Utility District No. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.33838 per \$100 of assessed value, of which \$0.30338 was allocated to maintenance and operations, \$0.705 was allocated to contract obligations, and \$0.33 was allocated to debt service. The resulting tax levy was \$3,402,312 on the adjusted taxable value of \$254,211,192.

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

Current year taxes receivable	\$	6,473
Prior years taxes receivable		1,901
		8,374
Penalty and interest receivable		2,016
Property taxes receivable		\$ 10,390

**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*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended September 30, 2019, the District reported transfers to other governments in the amount of \$1,298,436 for projects completed and transferred to the City.

**Note 10 – 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 terminates May 14, 2047, unless otherwise previously terminated.

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. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**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, prior to the Third Amendment to Utility Agreement dated July 16, 2019, the City 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 agreed to 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. During the current fiscal year, the District received \$143,025 in rebates from the City.

Pursuant to the Third Amendment to Utility Agreement dated July 16, 2019, the District and the City agreed to revise the method of calculating the annual payment to the District.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28<sup>th</sup> of each year, until and including February 28, 2047(the “Annual Payment”); provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the District’s internal water, wastewater and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities.

The Annual Payment shall be calculated annually and is equal to a percentage (the “Percentage”), initially 0.062510%, times the taxable assessed value for all property within the District on the City’s tax rolls. The Percentage shall be adjusted based on the City’s tax rate as follows:

<u>City Ad Valorem Tax Rate Per</u> <u>\$100 of Assessed Value</u>	<u>Percentage</u>
\$0.219999 or less	0.062510%
\$0.22 -- \$0.239999	0.07%
\$0.24 -- \$0.259999	0.08%
\$0.26 -- \$0.279999	0.09%
\$0.28 -- \$0.299999	0.10%
\$0.30 or higher	0.11%

*Fort Bend County Municipal Utility District No. 173*  
*Notes to Basic Financial Statements*  
*September 30, 2019*

**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 \$533,610 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.

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 2018 tax year, the District’s pro rata share is 19.37%. The District levied a contract tax rate of \$0.705 per \$100 of assessed valuation and paid \$1,738,303 to the Master District for its pro rata share of debt service requirements.

**Fort Bend County Municipal Utility District No. 173**  
**Notes to Basic Financial Statements**  
**September 30, 2019**

**Note 11 – Master District (continued)**

As of September 30, 2019, the Master District has \$130,030,000 in contract revenue bonds outstanding. The Master District’s debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2020	\$ 5,120,000	\$ 4,323,833	\$ 9,443,833
2021	5,400,000	4,210,238	9,610,238
2022	5,480,000	4,027,672	9,507,672
2023	5,570,000	3,849,744	9,419,744
2024	5,245,000	3,680,069	8,925,069
2025 - 2029	27,795,000	15,978,875	43,773,875
2030 - 2034	30,945,000	11,277,485	42,222,485
2035 - 2039	30,895,000	5,486,068	36,381,068
2040 - 2044	13,580,000	1,036,038	14,616,038
	<u>\$ 130,030,000</u>	<u>\$ 53,870,022</u>	<u>\$ 183,900,022</u>

The Contract also provides for an operating and maintenance reserve equivalent to three months’ operating and maintenance expenses, as set forth in the Master District’s annual budget. The Master District shall adjust the reserve as needed.

**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**

**Issuance of Unlimited Tax Bonds**

On December 17, 2019, the District issued its \$5,650,000 Series 2019 Unlimited Tax Bonds at a net effective rate of 3.04662%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements in the District and to repay a \$3,170,000 BAN issued in the current fiscal year. The TCEQ approved the use of surplus funds in the amount of \$580,000 from a previous bond issue to reduce the bond issue requirement.

**Master District Debt Issuance**

On December 5, 2019, the Master District issued its \$17,580,000 Series 2019A Contract Revenue Bonds at a net effective rate of 2.95933%. Proceeds from the bonds were used to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2019 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, 2019*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 656,090	\$ 779,130	\$ 761,743	\$ (17,387)
Investment earnings	2,000	2,000	4,788	2,788
Total Revenues	<u>658,090</u>	<u>781,130</u>	<u>766,531</u>	<u>(14,599)</u>
<b>Expenditures</b>				
Operating and administrative				
Professional fees	108,000	108,000	94,347	13,653
Contracted services	10,400	10,400	9,700	700
Administrative	18,800	18,800	16,267	2,533
Master District fees	514,260	514,260	533,610	(19,350)
Total Expenditures	<u>651,460</u>	<u>651,460</u>	<u>653,924</u>	<u>(2,464)</u>
<b>Revenues Over Expenditures</b>	6,630	129,670	112,607	(17,063)
<b>Fund Balance</b>				
Beginning of the year	108,350	108,350	108,350	
<b>End of the year</b>	<u>\$ 114,980</u>	<u>\$ 238,020</u>	<u>\$ 220,957</u>	<u>\$ (17,063)</u>

*Fort Bend County Municipal Utility District No. 173*  
*Notes to Required Supplementary Information*  
*September 30, 2019*

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 173**

**TSI-1. Services and Rates**

**September 30, 2019**

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 intercon)                                |   |  |                                     |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer accepted by City of Fulshear</u><br><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):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
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:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
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, 2019**

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

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

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, 2019***

Professional fees		
Legal	\$	73,496
Engineering		11,851
Audit		9,000
		<u>94,347</u>
Contracted services		
Bookkeeping		<u>9,700</u>
Administrative		
Directors fees		8,400
Printing and office supplies		975
Insurance		3,742
Other		3,150
		<u>16,267</u>
Master District fees		<u>533,610</u>
Total expenditures	\$	<u><u>653,924</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, 2019*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 216,531</u>
Debt Service			
TexPool	Variable	N/A	4,613
TexPool	Variable	N/A	<u>367,922</u>
			<u>372,535</u>
Capital Projects			
TexPool	Variable	N/A	<u>1,123,804</u>
Total - All Funds			<u><u>\$ 1,712,870</u></u>

See accompanying auditors' report.



**Fort Bend County Municipal Utility District No. 173**

**TSI-4. Taxes Levied and Receivable**

**September 30, 2019**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 871	\$ 308	\$ 1,265	\$ 2,444
2018 Original Tax Levy	778,725	847,054	1,809,615	3,435,394
Adjustments	(7,499)	(8,157)	(17,426)	(33,082)
Adjusted Tax Levy	771,226	838,897	1,792,189	3,402,312
Total to be accounted for	772,097	839,205	1,793,454	3,404,756
Tax collections				
Current year	769,759	837,301	1,788,779	3,395,839
Prior years	150	111	282	543
Total Collections	769,909	837,412	1,789,061	3,396,382
Taxes Receivable, End of Year	\$ 2,188	\$ 1,793	\$ 4,393	\$ 8,374
Taxes Receivable, By Years				
2018	\$ 1,467	\$ 1,596	\$ 3,410	\$ 6,473
2017	266	197	497	960
2016	455		486	941
Taxes Receivable, End of Year	\$ 2,188	\$ 1,793	\$ 4,393	\$ 8,374
	2018	2017	2016	2015
Property Valuations:				
Land	\$150,347,530	\$139,388,210	\$ 56,803,700	\$ 32,495,330
Improvements	165,991,627	93,752,445	31,139,110	3,271,400
Personal Property	4,636,080	2,695,140	1,689,440	962,630
Exemptions	(66,764,045)	(64,784,167)	(4,380,679)	(4,061,587)
Total Property Valuations	\$254,211,192	\$171,051,628	\$ 85,251,571	\$ 32,667,773
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.30338	\$ 0.3722	\$ 0.64899	\$ 0.64426
Contract tax rates	0.70500	0.6950	0.69500	0.69500
Debt service tax rates	0.33000	0.2750		
Total Tax Rates per \$100 Valuation	\$ 1.33838	\$ 1.34220	\$ 1.34399	\$ 1.33926
Adjusted Tax Levy	\$ 3,402,312	\$ 2,295,855	\$ 1,145,773	\$ 437,506
Percentage of Taxes Collected to Taxes Levied**	99.81%	99.96%	99.92%	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, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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>\$ 4,595,000</u>	<u>\$ 2,360,928</u>	<u>\$ 6,955,928</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, 2019**

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 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	87,906	362,906
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>\$ 6,725,000</u>	<u>\$ 2,774,224</u>	<u>\$ 9,499,224</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 173*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2018--by Years*  
*September 30, 2019*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 100,000	\$ 221,281	\$ 321,281
2021	100,000	214,781	314,781
2022	100,000	208,281	308,281
2023	100,000	201,781	301,781
2024	100,000	195,281	295,281
2025	100,000	188,781	288,781
2026	100,000	182,281	282,281
2027	100,000	177,531	277,531
2028	100,000	173,281	273,281
2029	100,000	169,031	269,031
2030	125,000	165,031	290,031
2031	125,000	160,031	285,031
2032	150,000	155,031	305,031
2033	175,000	149,031	324,031
2034	175,000	142,031	317,031
2035	175,000	135,031	310,031
2036	200,000	128,031	328,031
2037	225,000	120,031	345,031
2038	225,000	111,031	336,031
2039	250,000	102,031	352,031
2040	275,000	91,719	366,719
2041	300,000	80,375	380,375
2042	310,000	68,000	378,000
2043	540,000	54,825	594,825
2044	750,000	31,875	781,875
	<u>\$ 5,000,000</u>	<u>\$ 3,626,414</u>	<u>\$ 8,626,414</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, 2019*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	\$ 485,000	\$ 604,244	\$ 1,089,244
2021	490,000	583,169	1,073,169
2022	500,000	560,844	1,060,844
2023	505,000	538,219	1,043,219
2024	510,000	515,444	1,025,444
2025	515,000	492,519	1,007,519
2026	525,000	476,319	1,001,319
2027	530,000	461,225	991,225
2028	540,000	445,794	985,794
2029	545,000	429,719	974,719
2030	580,000	412,844	992,844
2031	590,000	393,744	983,744
2032	625,000	374,081	999,081
2033	660,000	352,831	1,012,831
2034	670,000	330,231	1,000,231
2035	680,000	306,662	986,662
2036	715,000	282,732	997,732
2037	755,000	256,794	1,011,794
2038	765,000	229,294	994,294
2039	805,000	201,075	1,006,075
2040	845,000	170,632	1,015,632
2041	885,000	138,231	1,023,231
2042	910,000	104,219	1,014,219
2043	940,000	68,825	1,008,825
2044	750,000	31,875	781,875
	<u>\$ 16,320,000</u>	<u>\$ 8,761,566</u>	<u>\$ 25,081,566</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 173**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2019**

	Bond Issue			Totals
	Series 2016	Series 2017	Series 2018	
Interest rate	2.00% - 3.875%	2.00% - 3.875%	4.00% - 6.50%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/18 - 9/1/42	9/1/19 - 9/1/43	9/1/20 - 9/1/44	
Beginning bonds outstanding	\$ 4,700,000	\$ 7,000,000	\$ -	\$ 11,700,000
Bonds issued			5,000,000	5,000,000
Bonds retired	(105,000)	(275,000)		(380,000)
Ending bonds outstanding	<u>\$ 4,595,000</u>	<u>\$ 6,725,000</u>	<u>\$ 5,000,000</u>	<u>\$ 16,320,000</u>
Interest paid during fiscal year	<u>\$ 161,375</u>	<u>\$ 234,688</u>	<u>\$ 165,961</u>	<u>\$ 562,024</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A. Dallas, Texas</u>			
All Series				
	Water, Sewer and Drainage			
Bond Authority:	Bonds	Park Bonds	Road Bonds	
Amount Authorized by Voters	\$ 103,376,000	\$ 45,920,000	\$ 24,430,000	
Amount Issued	(16,800,000)			
Remaining To Be Issued	<u>\$ 86,576,000</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, 2019: \$ 714,209

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,003,263

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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 761,743	\$ 639,060	\$ 553,430	\$ 216,169	\$ 122,507
Investment earnings	4,788	1,669	123	39	44
Total Revenues	<u>766,531</u>	<u>640,729</u>	<u>553,553</u>	<u>216,208</u>	<u>122,551</u>
Expenditures					
Operating and administrative					
Professional fees	94,347	70,767	160,154	51,695	46,615
Contracted services	9,700	9,680	26,321	12,747	13,876
Administrative	16,267	16,007	18,203	15,757	13,835
Master District fees	533,610	475,140	444,300	181,830	79,740
Total Expenditures	<u>653,924</u>	<u>571,594</u>	<u>648,978</u>	<u>262,029</u>	<u>154,066</u>
Revenues Over (Under) Expenditures	<u>\$ 112,607</u>	<u>\$ 69,135</u>	<u>\$ (95,425)</u>	<u>\$ (45,821)</u>	<u>\$ (31,515)</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
99%	100%	100%	100%	100%
1%	*	*	*	*
100%	100%	100%	100%	100%
12%	11%	29%	24%	38%
1%	2%	5%	6%	11%
2%	2%	3%	7%	11%
70%	74%	80%	84%	65%
85%	89%	117%	121%	125%
15%	11%	(17%)	(21%)	(25%)



**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				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$2,628,656	\$1,663,682	\$ 591,811	\$ 231,964	\$ 135,676
Penalties and interest	9,395	14,779	2,180	320	
City of Fulshear tax rebates	143,025	96,370	40,858		
Accrued interest on bonds sold		12,386	9,530	450	
Miscellaneous	122	282	332		200
Investment earnings	27,729	10,092	867	177	122
Total Revenues	<u>2,808,927</u>	<u>1,797,591</u>	<u>645,578</u>	<u>232,911</u>	<u>135,998</u>
Expenditures					
Administrative	52,351	30,332	1,221	2,113	429
Debt service					
Principal	380,000	100,000			
Interest and fees	553,824	341,641	137,646		
Contractual obligation	1,738,303	1,178,716	560,464	216,066	123,522
Total Expenditures	<u>2,724,478</u>	<u>1,650,689</u>	<u>699,331</u>	<u>218,179</u>	<u>123,951</u>
Revenues Over (Under) Expenditures	<u>\$ 84,449</u>	<u>\$ 146,902</u>	<u>\$ (53,753)</u>	<u>\$ 14,732</u>	<u>\$ 12,047</u>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
93%	92%	93%	100%	100%
*	1%	*	*	
5%	5%	6%		
	1%	1%	*	
*	*	*		*
2%	1%	*	*	*
100%	100%	100%	100%	100%
2%	2%	*	1%	*
14%	6%			
20%	19%	21%		
62%	66%	87%	93%	91%
98%	93%	108%	94%	91%
2%	7%	(8%)	6%	9%

**Fort Bend County Municipal Utility District No. 173**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2019**

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): July 12, 2019  
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
<b>Board Members</b>				
Patrick Newton	5/2018 - 5/2022	\$ 2,100	\$ 731	President
Brandon Whittaker	6/2019 - 5/2022	600	23	Vice President
Jeffery Bauguss	5/2018 - 5/2022	1,800	252	Secretary
Ben Carter	10/2018 - 5/2020	1,650	213	Assistant Secretary
Holly Miday	9/2017 - 5/2020	1,950	419	Assistant Vice President
Linda Penney	5/2018 - 6/2019	300	143	Former Director
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2008			Attorney
<i>General legal fees</i>		\$ 95,115		
<i>Bond counsel</i>		172,010		
F. Matuska, Inc.	2010	11,232		Bookkeeper
Assessments of the Southwest, Inc.	2010	16,082		Tax Collector
Fort Bend Central Appraisal District	Legislation	33,402		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2011	721		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2010	11,851		Engineer
McGrath & Co, PLLC	2010	22,750		Auditor
Masterson Advisors, LLC	2018	124,699		Financial Advisor

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

## **APPENDIX C**

### **Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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