

## OFFICIAL STATEMENT DATED MARCH 2, 2021

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 HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

### NEW ISSUE-Book-Entry Only

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

**\$3,505,000**

**FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 9**  
*(A political subdivision of the State of Texas located within Fort Bend County)*  
**WATERWORKS AND SEWER SYSTEM COMBINATION**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS**  
**SERIES 2021**

The bonds described above (the "Bonds") are obligations solely of First Colony Municipal Utility District No. 9 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution) of the District's waterworks and sewer system (the "System"), to the extent and upon the conditions described herein. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT RISKS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

**Dated: April 1, 2021**

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

Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from April 1, 2021, and is payable on each October 1 and April 1, commencing October 1, 2021 (six months of interest), until maturity. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



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

### MATURITY SCHEDULE

Due	Principal	Interest	Initial	CUSIP	Due	Principal	Interest	Initial	CUSIP
(Oct. 1)	Amount	Rate	Reoffering	Number (b)	(Oct. 1)	Amount	Rate	Reoffering	Number (b)
			Yield (a)					Yield (a)	
2022	\$1,060,000	3.00%	0.27%	319762 PT1	2025	\$ 150,000	3.00%	0.85%	319762 PW4
2023	685,000	3.00%	0.43%	319762 PU8	2026	150,000	3.00%	1.00%	319762 PX2
2024	150,000	3.00%	0.67%	319762 PV6	2027	150,000	3.00%	1.12%	319762 PY0

\$300,000 Term Bonds due October 1, 2029 (c), 319762 QA1 (b), 2.00% Interest Rate, 1.35% Yield(a)

\$295,000 Term Bonds due October 1, 2031 (c), 319762 QC7 (b), 2.00% Interest Rate, 1.57% Yield(a)

\$285,000 Term Bonds due October 1, 2033 (c), 319762 QE3 (b), 2.00% Interest Rate, 1.88% Yield(a)

\$280,000 Term Bonds due October 1, 2035 (c), 319762 QG8 (b), 2.00% Interest Rate, 2.06% Yield(a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from April 1, 2021, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) The Bonds maturing on and after October 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on October 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest 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."

The Bonds are offered, when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon Wallace & Philbin LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about April 7, 2021.

**SAMCO CAPITAL**

## TABLE OF CONTENTS

MATURITY SCHEDULE .....	1
USE OF INFORMATION IN OFFICIAL STATEMENT .....	2
OFFICIAL STATEMENT SUMMARY .....	3
SELECTED FINANCIAL INFORMATION .....	6
PLAN OF FINANCING .....	7
DEBT SERVICE REQUIREMENTS .....	9
THE BONDS .....	10
THE DISTRICT .....	16
MANAGEMENT OF THE DISTRICT .....	17
THE SYSTEM .....	18
WATER AND SEWER OPERATIONS .....	21
FINANCIAL STATEMENT .....	22
ESTIMATED OVERLAPPING DEBT .....	23
TAX DATA .....	24
TAXING PROCEDURES .....	26
INVESTMENT CONSIDERATIONS .....	30
LEGAL MATTERS .....	36
TAX MATTERS .....	37
MUNICIPAL BOND RATING .....	39
MUNICIPAL BOND INSURANCE .....	39
VERIFICATION OF MATHEMATICAL CALCULATIONS .....	41
SALE AND DISTRIBUTION OF THE BONDS .....	41
PREPARATION OF OFFICIAL STATEMENT .....	42
CONTINUING DISCLOSURE OF INFORMATION .....	43
MISCELLANEOUS .....	45
FINANCIAL STATEMENT OF THE DISTRICT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020....	APPENDIX A
SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	APPENDIX B

### 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, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Bacon, Wallace & Philbin L.L.P., 6363 Woodway Drive, Suite 800, Houston, TX 77057 upon payment of the costs of duplication therefor.

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

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

## OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

### INFECTIOUS DISEASE OUTBREAK (COVID-19)

*General*.....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 Outbreak (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 District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

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. However, they do not take into account the potential economic impact of the Pandemic on the District’s financial condition.

### RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

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

*Impact on District*.....The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to Municipal District Services, LLC (the “Operator”), and Jones & Carter, Inc. (the “Engineer”), the District’s water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey. See “THE SYSTEM.”

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

## THE DISTRICT

- Description* ..... The District was created by the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the “TCEQ”), by order dated May 30, 1984. The District currently contains approximately 1,045 acres of land.
- Location* ..... The District is located entirely within Fort Bend County, approximately 20 miles southwest of the central business district of the City of Houston, Texas, and approximately three miles southeast of the intersection of U.S. Highway 59 and Texas State Highway 6. The District lies entirely within the corporate limits of the City of Missouri City, Texas (the “City”), within the boundaries of Fort Bend Independent School District and within the boundaries of the First Colony Levee Improvement District of Fort Bend County. See “THE DISTRICT.”
- Status of Development* ..... Approximately 807 acres of land in the District are provided with water, sanitary sewer and drainage facilities as well as street paving. As of January 2021, the District contained approximately 2,531 occupied single-family connections, 11 vacant single-family connections, 68 commercial connections and 89 other connections. In addition to single family development, other improvements constructed in the District include an office park, a retirement/assisted living facility, several neighborhood retail shopping centers, four banking establishments, a Starbucks coffee shop, one Walgreens drug store, one CVS drug store, an Auto Zone, an H.E.B. Grocery Store, three gas stations, a car wash, three fast food restaurants, two mini storage facilities, four daycare centers, a fitness center, a Holiday Inn Express and a Hampton Inn, plus other retail and professional establishments. A portion of a Walmart parking lot is also located within the District. The District also includes an elementary school, a church site and a YMCA, each of which is exempt from taxation by the District. In addition, the District has approximately 37 acres of undeveloped land owned by various commercial entities which have not yet been provided with internal water, sanitary sewer and drainage facilities. A portion of such acreage has trunk utility service to certain tracts of land, and the extent of additional utility facilities required to be constructed will be dependent upon future usage. The District is not aware of any plans for development of this acreage at this time. The remaining 201 acres in the District is comprised of easements, road rights-of-way, District facilities and flood plain acreage. See “THE DISTRICT” and “THE SYSTEM.”
- Payment Record* ..... The District has previously issued seventeen series of waterworks and sewer system combination unlimited tax and revenue bonds (including four series of refunding bonds), of which an aggregate principal amount of \$10,045,000 is outstanding (the “Outstanding Bonds”). The District has never defaulted in the timely payment of debt service on the Outstanding Bonds. See “FINANCIAL STATEMENT—Outstanding Bonds.”

## THE BONDS

- Description* ..... \$3,505,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District's Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from April 1, 2021 and is payable on October 1, 2021 (six months of interest), and on each April 1 and October 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- Book-Entry-Only System* ..... 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 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 “THE BONDS—Book-Entry-Only System.”

<i>Redemption</i> .....	The Bonds maturing on and after October 1, 2028, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on October 1, 2027, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds (defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS.”
<i>Source of Payment</i> .....	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution) of the District's waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make any contribution to future debt service payments. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District. See “THE BONDS—Source and Security for Payment.”
<i>Use of Proceeds</i> .....	Proceeds from the sale of the Bonds, together with any other lawfully available funds of the District will be used to currently refund and defease \$3,525,000 of the District's Outstanding Bonds in order to achieve annual and net present value savings in the District's annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any bond insurance premium. After the issuance of the Bonds, \$6,520,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”) and the total outstanding debt of the District will be \$10,025,000. See “PLAN OF FINANCING—Refunded Bonds” and “—Sources and Uses of Funds.”
<i>Qualified Tax-Exempt Obligations</i> .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2021 is not expected to exceed \$10,000,000. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i> .....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, (“S&P”) is expected to assign a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of “A+” to the Bonds. An explanation of the ratings may be obtained from S&P. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE,” and “APPENDIX B.”
<i>Bond Counsel</i> .....	Bacon, Wallace & Philbin L.L.P., Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Underwriter's Counsel</i> .....	McCall, Parkhurst & Horton L.L.P, Houston, Texas.
<i>Financial Advisor</i> .....	Masterson Advisors LLC, Houston, Texas.
<i>Paying Agent/Registrar</i> .....	The Bank of New York Mellon Trust Company, N. A., Dallas, Texas.
<i>Verification Agent</i> .....	Public Finance Partners LLC, Minneapolis, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

### **INVESTMENT CONSIDERATIONS**

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED “INVESTMENT CONSIDERATIONS.”

## SELECTED FINANCIAL INFORMATION

2020 Certified Taxable Assessed Valuation.....	\$831,965,841	(a)
Gross Direct Debt Outstanding .....	\$10,025,000	(b)
Estimated Overlapping Debt .....	<u>49,766,441</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$59,791,441	
Ratio of Gross Direct Debt to:		
2020 Certified Taxable Assessed Valuation .....	1.20%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Certified Taxable Assessed Valuation.....	7.19%	
Debt Service Fund Balance as of February 25, 2021 .....	\$1,997,107	(d)
Funds Available in the General Operating Fund as of February 25, 2021 .....	\$4,413,464	(e)
Funds Available in the Capital Projects Fund as of February 25, 2021 .....	\$4,370,041	
2020 Debt Service Tax Rate.....	\$0.17	
2020 Maintenance and Operations Tax Rate.....	<u>0.05</u>	
Total 2020 Tax Rate .....	\$0.22/\$100 A.V.	
Average Annual Debt Service Requirement (2021-2045) of the Bonds and		
the Remaining Outstanding Bonds (“Average Annual Requirement”).....	\$478,115	(f)
Tax rate required to pay Average Annual Requirement based upon:		
2020 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.07	(g)
Maximum Annual Debt Service Requirement (2021) of the Bonds and		
the Remaining Outstanding Bonds (“Maximum Annual Requirement”).....	\$1,589,515	(f)
Tax rate required to pay Maximum Annual Requirement based upon:		
2020 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.21	(g)
Status of water connections as of January 2021 (h):		
Homes Completed (2,531 Occupied) .....	2,542	
Commercial.....	68	
Other.....	89	

Estimated 2021 population — 8,858 (i)

- (a) As certified by the Fort Bend Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”
- (b) After the issuance of the Bonds and excludes the Refunded Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
- (c) See “ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES.”
- (d) The District will apply \$4,000 of such funds towards the Bonds. Neither the Bond Resolution nor Texas law requires the District to maintain any particular balance in the Debt Service Fund.
- (e) At its meeting on February 25, 2021 the District authorized payment to the City of Missouri City for wastewater treatment plant upgrade in the amount of \$1,009,755. The balance shown above has been adjusted to reflect such payment. On February 16, 2021, the Board authorized a payment of \$250,000 to the City of Missouri City as a partial payment of wastewater treatment plant operating expenses that are under dispute due to accounting deficiencies at the City.
- (f) See “DEBT SERVICE REQUIREMENTS.”
- (g) See “TAX DATA—Tax Adequacy for Debt Service.”
- (h) See “THE DISTRICT-Status of Development.”
- (i) Based upon 3.5 persons per occupied single-family residence.

## OFFICIAL STATEMENT

**\$3,505,000**

### **FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 9**

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

### **WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2021**

This Official Statement provides certain information in connection with the issuance by First Colony Municipal Utility District No. 9 (the "District") of its \$3,505,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, Chapter 1207 of the Texas Government Code, as amended, City of Missouri City Ordinance No. O-15-63, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, an election held within the District and an order authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Bacon Wallace & Philbin LLP ("Bond Counsel"), 6363 Woodway Drive, Suite 800, Houston, TX 77057 upon payment of the costs of duplication therefore.

## PLAN OF FINANCING

### **Purpose**

The proceeds of the Bonds, together with any other lawfully available funds of the District, if any, will be used to currently refund and defease outstanding portions of the District's original issue of \$6,760,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2009, \$6,280,000 Combination Unlimited Tax and Revenue Refunding Bonds, Series 2011 and \$3,000,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2012 in order to achieve a reduction in the District's annual debt service expense. Such refunded portions reflected below are collectively referred to as the "Refunded Bonds." See "Refunded Bonds" below. A total of \$6,520,000 in principal amount of the District's Outstanding Bonds will remain outstanding after the issuance of the Bonds (the "Remaining Outstanding Bonds"). See "—Sources and Uses of Funds" herein and "FINANCIAL STATEMENT—Outstanding Bonds"

### **Refunded Bonds**

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

Maturity Date	Series	Series	Series
Oct. 1	2009	2011	2012
2022	\$ 565,000	\$ 480,000	
2023	205,000	475,000	
2024	-	-	\$ 150,000
2025	-	-	150,000
2026	-	-	150,000
2027	-	-	150,000
2028	-	-	150,000
2029	-	-	150,000
2030	-	-	150,000
2031	-	-	150,000
2032	-	-	150,000
2033	-	-	150,000
2034	-	-	150,000
2035	-	-	150,000
	<u>\$ 770,000</u>	<u>\$ 955,000</u>	<u>\$ 1,800,000</u>
Redemption Date:	4/8/2021	4/8/2021	4/8/2021

**Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds .....	\$3,505,000.00
Plus: Transfer from Debt Service Fund .....	4,000.00
Plus: Net Premium/Discount on the Bonds.....	<u>165,792.60</u>
Total Sources of Funds.....	\$3,674,792.60
Uses of Funds:	
Deposit to Paying Agent for Refunded Bonds.....	\$3,527,414.61
Issuance Expenses and Underwriters' Discount (a).....	<u>147,377.99</u>
Total Uses of Funds .....	\$3,674,792.60

(a) Includes municipal bond insurance premium.

**Payment of the Refunded Bonds**

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds").

The Bond Resolution provides that from the proceeds of the sale of the Bonds and other legally available funds of the District, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners LLC will verify to the District, the Paying Agent, Bond Counsel, and the Underwriters that the cash held in the Payment Account is sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts deposited, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.



## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$3,525,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds	Less: Debt	Plus: Debt Service on the Bonds			Total
	Debt Service Requirements	Service on the Refunded Bonds	Principal	Interest	Total	Debt Service Requirements
2021	\$ 1,604,827	\$ 62,088		\$ 46,775	\$ 46,775	\$ 1,589,515
2022	1,523,275	1,169,175	\$ 1,060,000	93,550	1,153,550	1,507,650
2023	1,110,063	760,963	685,000	61,750	746,750	1,095,850
2024	520,100	203,250	150,000	41,200	191,200	508,050
2025	516,800	199,500	150,000	36,700	186,700	504,000
2026	478,750	195,750	150,000	32,200	182,200	465,200
2027	471,000	192,000	150,000	27,700	177,700	456,700
2028	463,250	188,250	150,000	23,200	173,200	448,200
2029	454,750	183,750	150,000	20,200	170,200	441,200
2030	446,250	179,250	150,000	17,200	167,200	434,200
2031	437,750	174,750	145,000	14,200	159,200	422,200
2032	429,250	170,250	145,000	11,300	156,300	415,300
2033	420,375	165,375	140,000	8,400	148,400	403,400
2034	411,500	160,500	140,000	5,600	145,600	396,600
2035	402,250	155,250	140,000	2,800	142,800	389,800
2036	267,750	-	-	-	-	267,750
2037	263,250	-	-	-	-	263,250
2038	258,750	-	-	-	-	258,750
2039	254,250	-	-	-	-	254,250
2040	249,750	-	-	-	-	249,750
2041	245,250	-	-	-	-	245,250
2042	240,750	-	-	-	-	240,750
2043	236,250	-	-	-	-	236,250
2044	231,750	-	-	-	-	231,750
2045	227,250	-	-	-	-	227,250
<b>Total</b>	<b>\$ 12,165,190</b>	<b>\$ 4,160,100</b>	<b>\$ 3,505,000</b>	<b>\$ 442,775</b>	<b>\$ 3,947,775</b>	<b>\$ 11,952,865</b>

Average Annual Debt Service Requirements (2021-2045) .....\$478,115  
 Maximum Annual Debt Service Requirements (2021) .....\$1,589,515

## THE BONDS

### Description

The Bonds are dated April 1, 2021 and mature on October 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from April 1, 2021, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1 of each year, commencing October 1, 2021 (six months of interest) until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “the Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

In the event the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and 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 procedures of DTC to be followed in dealing with DTC 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 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. Payment of redemption proceeds, distributions, and dividend 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.

### **Method of Payment of Principal and Interest**

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas as the initial paying agent/registrars for the Bonds (the "Paying Agent/Registrar," "Paying Agent" or "Registrar"). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the 15th day of the month 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.

### **Authority for Issuance**

At bond elections held within the District on September 8, 1984 and May 2, 1992, voters of the District authorized the issuance of \$36,340,000 of waterworks and sewer system combination unlimited tax and revenue bonds and \$14,000,000 of waterworks and sewer system combination unlimited tax and revenue refunding bonds. The District has no remaining authorization for waterworks and sewer system combination unlimited tax and revenue bonds. After the issuance of the Bonds, the District will have \$11,955,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds authorized but unissued. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District, City of Missouri City Ordinance No. O-15-63, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

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

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

The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues, if any, of the District's waterworks and sewer system (the "System"). Net Revenues are defined by the Bond Resolution as all income that is derived from the ownership and operation of the District's System as the same is purchased, constructed or otherwise acquired, which remains after deducting the operation and maintenance expenses of the System, but not including income derived from contracts that are pledged for payment of any special project bonds that may be issued. It is not expected that the Net Revenues will ever be sufficient to contribute to debt service payments.

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

### **Record Date**

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

**Funds**

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

**No Arbitrage**

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

**Redemption Provisions**

*Optional Redemption:* The Bonds maturing on and after October 1, 2028, are subject to redemption at the option of the District prior to their maturity dates on October 1, 2027, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

If fewer than all the Bonds are optionally redeemed at any time, the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 in principal amount, and if fewer than all of the Bonds of a given maturity are selected to be redeemed, the specific Bonds within a maturity shall be selected by lot or other customary method (or by the DTC in accordance with its procedures while the Bonds are in book-entry-only form).

*Mandatory Redemption:* The Bonds due on October 1, in each of the years 2029, 2031, 2033 and 2035 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on October 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<b>\$300,000 Term Bonds</b>		<b>\$295,000 Term Bonds</b>	
<b>Due October 1, 2029</b>		<b>Due October 1, 2031</b>	
<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>
<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>	<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>
2028	\$ 150,000	2030	\$ 150,000
2029 (maturity)	150,000	2031 (maturity)	145,000
<b>\$285,000 Term Bonds</b>		<b>\$280,000 Term Bonds</b>	
<b>Due October 1, 2033</b>		<b>Due October 1, 2035</b>	
<b>Mandatory</b>	<b>Principal</b>	<b>Mandatory</b>	<b>Principal</b>
<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>	<b><u>Redemption Date</u></b>	<b><u>Amount</u></b>
2032	\$ 145,000	2034	\$ 140,000
2033 (maturity)	140,000	2035 (maturity)	140,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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 in the manner specified in the Bond Resolution. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the maturities 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.

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

### **Registration, Transfer and Exchange**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "THE BONDS—Book Entry-Only System." So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District.

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

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

### **Issuance of Additional Debt**

After issuance of the Bonds, the District will have \$11,955,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds that remain authorized but unissued. The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has no current plans to authorize park bonds.

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

### **Dissolution and Consolidation**

The District lies entirely within the corporate limits of the City of Missouri City, Texas (the "City"). The City may at any time choose to dissolve the District without the consent of the District at the City's sole discretion upon two-thirds vote of the City Council. If the District is dissolved, the City must assume the District's assets, obligations and indebtedness, including the District's bonded indebtedness. The District has no knowledge of and cannot make any predictions whether the City will ever dissolve the District.

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

### **Remedies in Event of Default**

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

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

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

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

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

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

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

## **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both or with a trust company or commercial bank named in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (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. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment, and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the TCEQ, dated May 30, 1984. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is a political subdivision of the State of Texas and is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes, after approval by the voters of the District. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Missouri City, within whose boundaries the District lies, the District is required to observe certain requirements of the City of Missouri City which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, firefighting activities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Missouri City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."



### **Description and Location**

The District currently contains approximately 1,045 acres of land, all of which lies within the corporate limits of the City of Missouri City, Texas. See “THE BONDS—Dissolution and Consolidation.” The District is located in Fort Bend County approximately 20 miles southwest of the central business district of the City of Houston, Texas, within the boundaries of Fort Bend Independent School District and within the boundaries of the First Colony Levee Improvement District of Fort Bend County. Principal access from the central business district of the City of Houston to the District is provided by U.S. Highway 59 (the “Southwest Freeway”) to its intersection with Texas State Highway 6 or U.S. Highway 90A.

### **Status of Development**

Development of the District consists of residential and commercial usages. As of January 2021, approximately 807 acres of land in the District have been provided with water, sanitary sewer and drainage facilities. In addition, the District has approximately 37 acres of developable land which have not yet been provided with internal water, sanitary sewer and drainage facilities, although a portion of such acreage does have trunk utility service available. The extent of additional service required will be dependent upon its ultimate usage. The remaining 201 acres in the District are included in ditch easements, rights-of-way, District facilities, flood plain acreage, drill sites and pipeline easements.

### **Residential Development**

Single family residential development in the District includes Lake Colony Sections 1 through 4, Lexington Colony Sections 1 through 4, Oyster Creek Plantation Sections 1 and 2, Plantation Creek Sections 1 and 2, Plantation Park, Heritage Colony Sections 1 through 7, Plantation Trails at First Colony Sections 1 and 2, and Plantation Settlement Section 1 with an aggregate of 2,543 single family lots on approximately 712 acres of land. No new development or homebuilding is ongoing. As of January 2021, the District contained 2,531 occupied single-family connections and 11 vacant single-family connections.

### **Commercial/Retail Development**

Commercial and retail development in the District includes an office park, a retirement/assisted living facility, several neighborhood retail shopping centers, four banking establishments, a Starbucks coffee shop, one Walgreens drug store, one CVS drug store, an Auto Zone, an H.E.B. Grocery Store, three gas stations, a car wash, three fast food restaurants, two mini storage facilities, four daycare centers, a fitness center, a Holiday Inn Express and a Hampton Inn, plus other retail and professional establishments.. A portion of a Walmart parking lot is located within the District. The District also includes an elementary school, a church site and a YMCA, each of which is exempt from taxation by the District.

### **Undeveloped Land in the District**

The District includes approximately 37 acres of land owned by various commercial entities, a portion of which has been provided with trunk utility service. Such acreage has not yet been provided with internal utility facilities. The District has received design plans of a dentist office on approximately 0.85 acres and an office building/retail complex on approximately 2.4 acres of such undeveloped acreage located in the District. At this time, the District can make no determination related to plan approval or timing of vertical development related to such acreage or whether any such development will ultimately occur. The remaining 201 acres of land in the District are included in easements, rights-of-way, stormwater detention facilities, and plant sites, and acreage not developable for various reasons.

## **MANAGEMENT OF THE DISTRICT**

### **Board of Directors**

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Castells	President	May 2022
Gary P. Perry	Vice President	May 2024
Marguerite (Margie) Burton	Secretary/Investment Officer	May 2022
Randall Grogan	Asst. Secretary/Treasurer	May 2022
Carl A. Brown	Director	May 2024

## **District Consultants**

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

*Bond Counsel and General Counsel:* Bacon Wallace & Philbin LLP serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Bacon Wallace & Philbin LLP serves as general counsel to the District on matters other than the issuance of bonds.

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

*Auditor:* As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed the TCEQ. The District's financial statements for the year ended September 30, 2020, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2020, financial statements.

*Engineer:* The District's consulting engineer is Jones & Carter, Inc.

*Tax Appraisal and Collections:* The Fort Bend Central Appraisal District has the responsibility of appraising all property within the District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Tax Tech, Inc. is currently serving in this capacity for the District. See "TAXING PROCEDURES."

*Bookkeeper:* The District has contracted with McLennan & Associates, LP (the "Bookkeeper") for bookkeeping services.

*Utility System Operator:* The operation and maintenance of the District's water and wastewater systems are overseen by Municipal District Services, LLC.

## **THE SYSTEM**

### **Regulation**

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

### **Water Supply**

The District's water supply is provided by one water plant which contains a 2,000 gallon-per-minute ("gpm") water well and a 1,900 gpm remote water well, two 450,000 gallon ground storage tanks, two 20,000 gallon hydropneumatic tanks, and four booster pumps with total capacity of 6,750 gpm. According to the Engineer, the District has water supply facilities adequate to provide capacity to serve the ultimate projected build-out of the District of 3,224 equivalent single-family connections. The District also has emergency water interconnection lines with the adjoining Fort Bend County Municipal Utility District No. 42 ("MUD 42") and the City of Sugar Land.

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

The District is within the boundaries of the Fort Bend Subsidence District (the “Subsidence District”), which regulates groundwater withdrawal. The District’s authority to pump groundwater is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District’s jurisdiction, including the area within the District.

The Subsidence District’s regulations require the District, individually or collectively with other water users, to: (i) have prepared a groundwater reduction plan (“GRP”) and obtained certification of the GRP from the Subsidence District by 2008; (ii) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning January 2014; and (iii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning January 2025.

The District has opted to become part of the City of Missouri City’s (the “City”) GRP pursuant to a contract entered between the District and the City. As a participant in the City’s GRP, the District has complied with all Subsidence District requirements in regard to the conversion to surface water and is obligated to pay to the City a groundwater reduction fee for all groundwater pumped by the District.

If the City, together with the participants in its GRP, fails to comply with the above Subsidence District regulations, such entities will be subject to a \$6.50 per 1,000 gallons disincentive fee penalty imposed by the Subsidence District for any groundwater withdrawn in excess of 70% of the total annual water demand beginning in January 2014, increasing to 40% in 2025.

The GRP fee currently being charged by the City is \$1.79 per 1,000 gallons pumped, and this fee is passed through to the District’s customers as part of the District’s monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges, which may be due to the City in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water or will comply with the Subsidence District’s surface water conversion requirements.

### **Wastewater Treatment**

The District’s wastewater is treated at a 3.0 million gallon per day (“mgd”) wastewater treatment plant (the “Regional Plant”), lift station and force main which is owned and operated by the City to serve the Steep Bank/Flat Bank Creek Service Area, which area includes the District and a number of other participating districts. The District has the right to deliver and have treated at the Regional Plant 1.5 million gpd of permanent wastewater capacity. According to the District’s Engineer, this amount of capacity will be sufficient to serve the District at full development under current regulatory criteria. Design of a 1.5 mgd expansion to the Regional Plant is currently underway, and the City expects to award construction contracts within second quarter of 2021. The District will not receive any additional capacity from such expansion. The District’s share of estimated construction costs related to upgrades to existing plant components is \$1,009,755.

### **Flood Protection and Drainage Facilities**

All land within the District is located within the boundaries of First Colony Levee Improvement District (“FCLID”) except for approximately 57 acres which are above the 100-year floodplain and consist of either developed property or future developable property. Substantially all of the land within FCLID is protected from a 100-year flood on the Brazos River by a levee, and all of the flood protection and drainage facilities of FCLID to serve land within the District have been constructed.

FCLID has qualified and is participating in the regular phase of the National Flood Insurance Program; therefore, flood insurance is available to owners of property within FCLID.

**100-Year Flood Plain:**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, the Flood Insurance Rate Map currently in effect published by the Federal Emergency Management Agency which covers the land located in the District indicates that none of the land located within the District is located within the 100-year flood plain, except the area contained within the banks of major drainage channels or detention facilities. See “INVESTMENT CONSIDERATIONS—Recent Extreme Weather Events; Hurricane Harvey.”

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

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]*

## WATER AND SEWER OPERATIONS

### General

The Bonds and the Remaining Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District and are further payable from and secured by a pledge and lien on Net Revenues of the District's waterworks and sanitary sewer system. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds.

### Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ending 2016 through 2020. Reference is made to such records and statements for further and more complete information.

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
<b>REVENUES:</b>					
Water Service	\$ 1,151,809	\$ 1,071,467	\$ 1,052,305	\$ 1,005,646	\$ 988,342
Sewer Service	1,282,297	1,224,633	1,217,178	1,202,038	1,253,331
Groundwater Reduction Fees	565,846	538,391	592,439	574,164	557,320
Property Taxes	401,156	236,802	229,772	225,267	207,972
Tap Connection and Inspection Fees	78,753	22,374	134,515	167,125	1,330
Capacity Charges	-	-	100,249	-	-
Investment Earnings	50,357	102,682	66,918	21,460	8,347
Penalty & Interest	23,099	37,597	35,339	34,902	44,025
Miscellaneous	14,262	16,146	13,343	34,347	29,393
<b>TOTAL REVENUES</b>	<b>\$ 3,567,579</b>	<b>\$ 3,250,092</b>	<b>\$ 3,442,058</b>	<b>\$ 3,264,949</b>	<b>\$ 3,090,060</b>
<b>EXPENDITURES:</b>					
Purchased Services	\$ 454,313	\$ 280,518	\$ 335,494	\$ 759,599	\$ 769,415
Professional Fees	176,051	149,606	120,119	90,500	99,518
Contracted Services	644,594	671,651	657,676	182,321	206,382
Utilities	109,999	91,788	136,473	101,270	104,189
Repairs & Maintenance	481,469	488,003	444,032	448,020	424,933
Groundwater Reduction Fees	572,870	550,456	571,398	562,097	531,942
Purchased Capacity	-	-	125,500	-	-
Administrative Expenditures	104,545	85,769	91,070	114,228	97,316
Other	11,823	16,968	15,877	-	-
Capital Outlay	1,007,421 (a)	230,461 (b)	10,000	505,657 (c)	161,993
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,563,085</b>	<b>\$ 2,565,220</b>	<b>\$ 2,507,639</b>	<b>\$ 2,763,692</b>	<b>\$ 2,395,688</b>
<b>NET REVENUES</b>	<b>\$ 4,494</b>	<b>\$ 684,872</b>	<b>\$ 934,419</b>	<b>\$ 501,257</b>	<b>\$ 694,372</b>
<b>FUND BALANCE,</b>					
BEGINNING OF YEAR	\$ 5,106,548	\$ 4,808,255	\$ 4,073,836	\$ 3,772,579	\$ 3,275,885
<b>OTHER FINANCING SOURCES (USES)</b>	<b>\$ (300,000) (d)</b>	<b>\$ (386,579) (e)</b>	<b>\$ (200,000) (d)</b>	<b>\$ (200,000) (d)</b>	<b>\$ (197,678) (d)</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,811,042</b>	<b>\$ 5,106,548</b>	<b>\$ 4,808,255</b>	<b>\$ 4,073,836</b>	<b>\$ 3,772,579</b>

(a) Lift Station rehabilitation project.

(b) Natural gas generators to serve Lift Station Nos. 1 and 2.

(c) Sanitary sewer rehabilitation

(d) Internal transfers to the District's Debt Service Fund.

(e) Comprised of \$300,000 internal transfer to the District's Debt Service Fund and a \$86,579 operating reserves write-off.

## FINANCIAL STATEMENT

2020 Certified Taxable Assessed Valuation.....	\$831,965,841 (a)
Gross Direct Debt Outstanding .....	\$10,025,000 (b)
Estimated Overlapping Debt .....	49,766,441 (c)
Gross Direct Debt and Estimated Overlapping Debt.....	\$59,791,441
Ratio of Gross Direct Debt to 2020 Certified Taxable Assessed Valuation .....	1.20%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to: 2020 Certified Taxable Assessed Valuation.....	7.19%
Funds Available for Debt Service as of February 25, 2021.....	\$1,997,107(d)
Funds Available for Operations and Maintenance as of February 25, 2021.....	\$4,413,464(e)
Funds Available for Capital Projects as of February 25, 2021 .....	\$4,370,041

- (a) As certified by the Fort Bend Central District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) After the issuance of the Bonds and excludes the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (c) See "ESTIMATED OVERLAPPING DEBT."
- (d) The District will apply approximately \$4,000 of such funds towards the Bonds. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.
- (e) At its meeting on February 25, 2021 the District authorized payment to the City of Missouri City for wastewater treatment plant upgrade in the amount of \$1,009,755. The balance shown above has been adjusted to reflect such payment. On February 16, 2021, the Board authorized a payment of \$250,000 to the City of Missouri City as a partial payment of wastewater treatment plant operating expenses that are under dispute due to accounting deficiencies at the City.

### **Investments of the District**

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

### **Outstanding Bonds**

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Principal Amount	Currently Outstanding	Refunded Bonds	Outstanding Bonds
2009 (a)	\$ 6,760,000	\$ 1,345,000	\$ 770,000	\$ 575,000
2011 (a)	6,280,000	1,445,000	955,000	490,000
2012	3,000,000	2,550,000	1,800,000	750,000
2020	4,705,000	4,705,000	-	4,705,000
<hr/>				
Total	\$ 20,745,000	\$ 10,045,000	\$ 3,525,000	\$ 6,520,000
The Bonds				3,505,000
The Bonds and Remaining Outstanding Bonds				<u>\$ 10,025,000</u>

- (a) Refunding Bonds

## ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 664,849,310	1/31/2021	1.08%	\$ 7,180,373
Fort Bend Independent School District.....	1,297,633,767	1/31/2021	1.83%	23,746,698
Houston Community College System.....	528,150,000	1/31/2021	0.37%	1,954,155
City of Missouri City.....	155,195,000	1/31/2021	10.88%	<u>16,885,216</u>
Total Estimated Overlapping Debt.....				\$ 49,766,441
The District.....	10,025,000 (a)	Current	100.00%	<u>10,025,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 59,791,441
Ratio of Estimated Direct and Overlapping Debt to 2020 Certified Taxable Assessed Valuation.....				7.19%

(a) Includes the Bonds and the Remaining Outstanding Bonds.

### Overlapping Taxes for 2020

	2020 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.453207
Missouri City.....	0.598035
Houston Community College System.....	0.100263
Fort Bend Independent School District.....	1.240200
First Colony Levee Improvement District.....	<u>0.150000</u>
Total Overlapping Tax Rate.....	\$ 2.541705
The District (b) .....	<u>0.220000</u>
Total Tax Rate.....	\$ 2.761705

(a) Includes Fort Bend County Drainage District.

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

## TAX DATA

### Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2020 tax year, the Board levied a debt service tax in the amount of \$0.17 per \$100 assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electorate. Pursuant to an election held on August 11, 1984, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.25 per \$100 assessed valuation. The District levied a maintenance tax for 2020 at the rate of \$0.05 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

### Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$ 0.170	\$ 0.170	\$ 0.190	\$ 0.210	\$ 0.225
Maintenance and Operations	0.050	0.050	0.030	0.030	0.030
Total	\$ 0.220	\$ 0.220	\$ 0.220	\$ 0.240	\$ 0.255

### Tax Rate Limitation

Debt Service: Unlimited (no legal limit to rate or amount).  
 Maintenance and Operations: \$0.25 per \$100 assessed valuation.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. See “Tax Roll Information” below.

Tax Year	Certified	Tax Rate	Total Tax Levy	Total Collections	
	Taxable Assessed Valuation			as of February 25, 2021 (a)	
				Amount	Percent
2015	\$ 696,504,575	\$ 0.280	\$ 1,950,213	\$ 1,947,330	99.85%
2016	752,136,795	0.255	1,917,949	1,914,258	99.81%
2017	771,767,233	0.240	1,851,531	1,847,276	99.77%
2018	792,774,702	0.220	1,743,585	1,737,017	99.62%
2019	806,453,744	0.220	1,773,772	1,766,102	99.57%
2020	832,489,481	0.220	1,830,835	1,757,052	95.97%

(a) Unaudited.

Taxes are due upon receipt of bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21<sup>st</sup> day after such taxes are billed. No split payments are allowed, and no discounts are allowed.

### Additional Penalties

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



**Tax Roll Information**

The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the certified portions of the 2018 through 2020 Certified Taxable Assessed Valuations. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2020 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation	2018 Certified Taxable Assessed Valuation
Land	\$ 164,227,760	\$ 156,535,850	\$ 155,579,340
Improvements	682,909,738	663,086,066	647,702,880
Personal Property	29,887,983	26,119,512	26,840,835
Exemptions	(45,059,640)	(39,641,224)	(37,664,393)
Total	<u>\$ 831,965,841</u>	<u>\$ 806,100,204</u>	<u>\$ 792,458,662</u>

**Principal Taxpayers**

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2020 Certified Taxable Assessed Valuation of \$831,965,841. This represents ownership as of January 1, 2020.

Taxpayer	Type of Property	2020 Certified Taxable Assessed Valuation	% of 2020 Certified Taxable Assessed Valuation
La Paloma Blanca LC	HEB Grocery Store	\$ 11,487,700	1.38%
KD Gotcher Ltd.	Rehabilitation Facility	8,264,586	0.99%
Irapak Investments LLC	Retail Strip Center	7,757,660	0.93%
Sovran Acquisition Limited Partnership	Self Storage Facility	7,534,852	0.91%
Texas Colony Plaza LLC	Movie Theater	7,010,470	0.84%
Civitas Senior Healthcare LLC	Assisted Living Facility	5,283,820	0.64%
NCSL Associates LP	Retail Strip Center	4,741,429	0.57%
MCC2013 LLC	Retail Strip Center	4,654,960	0.56%
Colonial Group LP	Retail Strip Center	4,573,790	0.55%
Sweetwater Properties LLC	Retail Strip Center	4,135,273	0.50%
Total		<u>\$ 65,444,540</u>	<u>7.87%</u>

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Certified Taxable Assessed Valuation of \$831,965,841. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “DEBT SERVICE REQUIREMENTS.”

Average Annual Debt Service Requirement (2021-2045) .....	\$478,115
\$0.07 tax rate on 2020 Certified Taxable Assessed Valuation .....	\$553,257
Maximum Annual Debt Service Requirement (2021).....	\$1,589,515
\$0.21 tax rate on the 2020 Certified Taxable Assessed Valuation.....	\$1,659,772

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See “TAX DATA—Debt Service Tax—Maintenance Tax.”

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

The Texas Property Tax Code (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 a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend County Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units wholly within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend Central Appraisal Review Board (the “Appraisal Review Board”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a 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. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For tax year 2020, the District has granted an exemption of \$40,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (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 (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, 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.

Residential Homestead Exemptions: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For tax year 2020, the District has not granted a general residential homestead exemption. See “TAX DATA.”

Freeport Goods and Goods-in-Transit Exemptions: A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

### **Tax Abatement**

Fort Bend County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Fort Bend County, the District, and the City of Missouri City, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with 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, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Fort Bend Central Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. 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 to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

Certain land may be appraised at less than market value under the Property Tax Code. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. In either case, if the use of land changes, an additional tax is imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

### **District and Taxpayer Remedies**

The chief appraiser must give written notice before the Appraisal Review Board meeting to each owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. The District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, the grant in whole or in part of a partial exemption, or a determination that land qualifies for special-use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

### **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180<sup>th</sup>) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the

postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

### **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 can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate 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 Units:* Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

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

### **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See “ESTIMATED OVERLAPPING DEBT—Overlapping Tax Rates for 2020.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District’s ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “INVESTMENT CONSIDERATIONS—Tax Collection Limitations.”

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and not obligations of the State of Texas, Fort Bend County, the City of Missouri City, or any other political entity other than the District, will be secured by a continuing, direct, annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

### **Infectious Disease Outbreak (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”). The Governor has issued successive renewals of the State of disaster declarations, and such declaration is still in effect. 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. 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 and commercial activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in commercial activity and property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

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 partially 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 within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

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

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator and the Engineer, the District's water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experience 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 District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

### **Specific Flood Type Risks**

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

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

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

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, multifamily, and commercial properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for and the value of such properties. New home and commercial construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy availability and cost, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Declines in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing and the values of existing homes. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected.

### **Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Certified Taxable Assessed Valuation of the District is \$831,965,841 (see “FINANCIAL STATEMENT.”) After issuance of the Bonds, the maximum annual debt service requirement will be \$1,589,740 (2021) and the average annual debt service requirement will be \$478,115 (2021-2045) (see “DEBT SERVICE REQUIREMENTS”). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.21 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,589,515 and a tax rate of \$0.07 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$478,115. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2020 Certified Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$36,340,000 principal amount of waterworks and sewer system combination unlimited tax and revenue bonds and \$14,000,000 of waterworks and sewer system combination unlimited tax and revenue refunding bonds have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$11,955,000 principal amount of waterworks and sewer system combination unlimited tax and revenue refunding bonds authorized but unissued and no remaining authorization for waterworks and sewer system combination unlimited tax and revenue bonds. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, sewer and drainage purposes, if authorized by the District's voters, is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies.”



## **Registered Owners' Remedies and Bankruptcy Limitations**

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

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) 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.

The District may not be placed into bankruptcy involuntarily.

## **Environmental Regulations**

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

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

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

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston 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.

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, 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 developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) 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. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal 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 became effective on June 22, 2020 and is the subject of further 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.

### **Marketability of the Bonds**

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

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

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

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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

The District has entered into an agreement with Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

Neither the District nor the Underwriter 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. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon Wallace & Philbin LLP (“Bond Counsel”) to the effect that, (i) based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, that interest on the Bonds is excludable from gross income for Federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS—Tax Exemption” herein. Bond Counsel’s opinion also addresses the matters described below under “TAX MATTERS—Tax Exemption.” Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under “PLAN OF FINANCING—Payment of this Refunded Bond,” “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT OF THE DISTRICT—Attorney,” “TAXING PROCEDURES,” “LEGAL MATTERS (except for information under the subheading “Book-Entry-Only System”),” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law with respect to 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 have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ 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, other than the matters discussed immediately above.

Bacon Wallace & Philbin LLP acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No 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.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

## **TAX MATTERS**

### **Tax Exemption**

On the date of initial delivery of the Bonds, Bacon Wallace & Philbin LLP, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Resolution subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax- exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **Qualified Tax-Exempt Obligations - Purchase of the Bonds by Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "specified private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as referring to any corporation described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business which is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank" as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. S&P has also assigned an underlying rating of "A+" 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 their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, 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 B to this Official Statement.

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



### **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 October 29, 2020, 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 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 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, 2020.

#### *Capitalization of AGM*

December 31, 2020:

- The policyholders’ surplus of AGM was approximately \$2,864 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$940 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 \$2,112 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 document 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: the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021).



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.”

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with to the Payment Account for the payment of the Refunded Bonds; (b) the mathematical computations of yield; and (c) compliance with City of Missouri City Ordinance No. O-15-63.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

### **SALE AND DISTRIBUTION OF THE BONDS**

#### **The Underwriter**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$3,640,666.60 (representing the principal amount of the Bonds of \$3,505,000.00, plus a net premium on the Bonds of \$165,792.60, less an Underwriter’s discount of \$30,126.00) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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

#### **Prices and Marketability of the Bonds**

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

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

## **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

### **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

"THE DISTRICT"—Jones & Carter, Inc. ("Engineer") and Records of the District ("Records"); "THE SYSTEM"—Engineer; "FINANCIAL STATEMENT"—Fort Bend Central Appraisal District and Tax Tech, Inc. Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT"—Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA"—Tax Tech, Inc.; "MANAGEMENT"—District Directors; "WATER AND SEWER OPERATIONS"—Records; and "DEBT SERVICE REQUIREMENTS"—Financial Advisor.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, if applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Bond Counsel**

Bacon Wallace & Philbin LLP is engaged as Bond Counsel for the District and has reviewed the information appearing in this Official Statement under the captions "THE BONDS," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," AND "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

### **Consultants**

In approving this Official Statement the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" (as it relates to District facilities) has been provided by Jones & Carter, 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 Assessed Valuations of the District has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

Tax Assessor Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Tax Tech, Inc. and is included herein in reliance upon Tax Tech, Inc. as an expert in collecting taxes.

Auditor: The financial statements of the District as of and for the fiscal year ended September 30, 2020 included in this offering document, have been audited by McGrath & Co., PLLC, as stated in their report appearing herein. See “APPENDIX A.”

### **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 of Directors 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 light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide annually to the MSRB certain updated financial information and operating data. 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 “FINANCIAL STATEMENT,” “WATER AND SEWER OPERATIONS,” “DEBT SERVICE REQUIREMENTS” and “TAX DATA,” (most of which information is contained in the District’s annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “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 the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is 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.

### **Specified 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 within the meaning of 17 CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, 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 a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" 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 information only to the MSRB. The MSRB makes the information available to the public through the EMMA 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 or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

### **Compliance with Prior Undertakings**

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

## MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix 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 First Colony Municipal Utility District No. 9, as of the date shown on the cover page.

/s/ Rod Castells  
President, Board of Directors

ATTEST:

/s/ Marguerite Burton  
Secretary, Board of Directors

**APPENDIX A**

**Financial Statement of the District for the year ended September 30, 2020**

**FIRST COLONY MUNICIPAL  
UTILITY DISTRICT NO. 9**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2020**





## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	46
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	48
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	50
Board Members, Key Personnel and Consultants	TSI-8	52



# McGRATH & CO., PLLC

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

## Independent Auditors' Report

Board of Directors  
First Colony Municipal Utility District No. 9  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of First Colony Municipal Utility District No. 9, as of and for the year ended September 30, 2020, 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  
First Colony Municipal Utility District No. 9  
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 First Colony Municipal Utility District No. 9, as of September 30, 2020, 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, PA*

Houston, Texas  
January 28, 2021

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

*(This page intentionally left blank)*

***First Colony Municipal Utility District No. 9  
Management's Discussion and Analysis  
September 30, 2020***

**Using this Annual Report**

Within this section of the financial report of First Colony Municipal Utility District No. 9 (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, 2020. 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.

***First Colony Municipal Utility District No. 9  
Management's Discussion and Analysis  
September 30, 2020***

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, 2020, was \$14,710,631. A comparative summary of the District's overall financial position, as of September 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 11,103,660	\$ 6,412,557
Capital assets	14,693,416	14,302,979
Total assets	<u>25,797,076</u>	<u>20,715,536</u>
Current liabilities	2,356,445	1,928,356
Long-term liabilities	8,730,000	5,340,000
Total liabilities	<u>11,086,445</u>	<u>7,268,356</u>
Net position		
Net investment in capital assets	9,055,290	7,657,979
Restricted	837,588	678,058
Unrestricted	4,817,753	5,111,143
Total net position	<u>\$ 14,710,631</u>	<u>\$ 13,447,180</u>



***First Colony Municipal Utility District No. 9  
Management's Discussion and Analysis  
September 30, 2020***

The total net position of the District increased during the current fiscal year by \$1,263,451. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
Property taxes, penalties and interest	\$ 1,823,534	\$ 1,784,419
Water and sewer service	2,434,106	2,296,100
Other	<u>728,587</u>	<u>717,159</u>
Total revenues	<u>4,986,227</u>	<u>4,797,678</u>
Expenses		
Current service operations	2,665,426	2,403,028
Debt interest and fees	226,031	272,231
Debt issuance costs	214,335	
Depreciation	<u>616,984</u>	<u>593,160</u>
Total expenses	<u>3,722,776</u>	<u>3,268,419</u>
Change in net position before other item	1,263,451	1,529,259
Other item		
Write off of operating reserve		<u>(86,579)</u>
Change in net position	1,263,451	1,442,680
Net position, beginning of year	<u>13,447,180</u>	<u>12,004,500</u>
Net position, end of year	<u>\$ 14,710,631</u>	<u>\$ 13,447,180</u>

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

The District's combined fund balances, as of September 30, 2020, were \$9,985,904, which consists of \$4,811,042 in the General Fund, \$767,988 in the Debt Service Fund, \$4,406,874 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 5,858,058</u>	<u>\$ 5,733,634</u>
Total liabilities	\$ 1,040,305	\$ 622,491
Total deferred inflows	6,711	4,595
Total fund balance	<u>4,811,042</u>	<u>5,106,548</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 5,858,058</u>	<u>\$ 5,733,634</u>

***First Colony Municipal Utility District No. 9  
Management’s Discussion and Analysis  
September 30, 2020***

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

	2020	2019
Total revenues	\$ 3,567,579	\$ 3,250,092
Total expenditures	(3,563,085)	(2,565,220)
Revenues over expenditures	4,494	684,872
Other changes in fund balance	(300,000)	(386,579)
Net change in fund balance	\$ (295,506)	\$ 298,293

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer and groundwater reduction fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.

As discussed in Note 6, in addition to an ad valorem tax, the District’s outstanding bonds are secured by a pledge of and lien on certain net revenues of the District’s waterworks and sewer system. During the current year, and consistent with prior years, the District transferred \$300,000 to the Debt Service Fund for payment of principal and interest.

*Debt Service Fund*

A comparative summary of the Debt Service Fund’s financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	\$ 838,728	\$ 678,923
Total liabilities	\$ 1,140	\$ 865
Total deferred inflows	69,600	56,510
Total fund balance	767,988	621,548
Total liabilities, deferred inflows and fund balance	\$ 838,728	\$ 678,923

***First Colony Municipal Utility District No. 9  
Management's Discussion and Analysis  
September 30, 2020***

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

	<u>2020</u>	<u>2019</u>
Total revenues	\$ 1,403,265	\$ 1,551,396
Total expenditures	<u>(1,603,875)</u>	<u>(1,660,500)</u>
Revenues under expenditures	(200,610)	(109,104)
Other changes in fund balance	<u>347,050</u>	<u>300,000</u>
Net change in fund balance	<u>\$ 146,440</u>	<u>\$ 190,896</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the current year, the District also had 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.

As previously discussed, the District transferred \$300,000 from the General Fund to the Debt Service for payment of principal and interest on long-term debt. See Note 6 for additional information.

*Capital Projects Fund*

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District's Series 2020 bonds. A summary of the financial position of the Capital Projects Fund as of September 30, 2020, is as follows:

Total assets	<u>\$ 4,406,874</u>
Total fund balance	<u>\$ 4,406,874</u>

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

Total revenues	\$ 177
Total expenditures	<u>(251,253)</u>
Revenues under expenditures	(251,076)
Other changes in fund balance	<u>4,657,950</u>
Net change in fund balance	<u>\$ 4,406,874</u>

**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.

**First Colony Municipal Utility District No. 9  
 Management's Discussion and Analysis  
 September 30, 2020**

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$528,798 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

Capital assets held by the District at September 30, 2020 and 2019, are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	\$ 162,747	\$ 162,747
Construction in progress		64,668
	162,747	227,415
Capital assets being depreciated		
Infrastructure	26,557,938	25,485,849
Less accumulated depreciation	(12,027,269)	(11,410,285)
Depreciable capital assets, net	14,530,669	14,075,564
Capital assets, net	\$ 14,693,416	\$ 14,302,979

Capital asset additions during the current year include the rehabilitation of lift stations no. 1, 5, and 6.

**Long-Term Debt**

At September 30, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2009 Refunding	\$ 1,345,000	\$ 1,930,000
2011 Refunding	1,445,000	1,940,000
2012	2,550,000	2,775,000
2020	4,705,000	
	\$ 10,045,000	\$ 6,645,000

During the current year, the District issued \$4,705,000 in unlimited tax and revenue bonds. At September 30, 2020, the District had \$11,995,000 combination unlimited tax and revenue refunding bonds authorized, but unissued.

***First Colony Municipal Utility District No. 9  
 Management’s Discussion and Analysis  
 September 30, 2020***

**Next Year’s Budget**

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

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 3,567,579	\$ 3,499,969
Total expenditures	<u>(3,563,085)</u>	<u>(3,499,969)</u>
Revenues over expenditures	4,494	-
Other changes in fund balance	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	(295,506)	-
Beginning fund balance	<u>5,106,548</u>	<u>4,811,042</u>
Ending fund balance	<u><u>\$ 4,811,042</u></u>	<u><u>\$ 4,811,042</u></u>

**Property Taxes**

The District’s property tax base increased approximately \$15,952,000 for the 2020 tax year from \$806,736,004 to \$822,688,107. This increase was primarily due to increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.05 per \$100 of assessed value and a debt service tax rate of \$0.17 per \$100 of assessed value, for a total combined tax rate of \$0.22 per \$100. These are the same rates levied for the 2019 tax year.

**Infectious Disease Outlook (COVID-19)**

As further discussed in Note 12, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District’s operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

*(This page intentionally left blank)*

## **Basic Financial Statements**

*First Colony Municipal Utility District No. 9*  
*Statement of Net Position and Governmental Funds Balance Sheet*  
*September 30, 2020*

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 803,506	\$ 35,346	\$ 381	\$ 839,233	\$ -	\$ 839,233
Investments	4,623,562	736,767	4,452,116	9,812,445		9,812,445
Taxes receivable, net	6,711	69,600		76,311		76,311
Customer service receivables, net	347,065			347,065		347,065
Internal balances	50,100	(4,477)	(45,623)			
Other receivables		1,492		1,492		1,492
Prepaid items	27,114			27,114		27,114
Capital assets not being depreciated					162,747	162,747
Capital assets, net					14,530,669	14,530,669
<b>Total Assets</b>	<b>\$ 5,858,058</b>	<b>\$ 838,728</b>	<b>\$ 4,406,874</b>	<b>\$11,103,660</b>	<b>14,693,416</b>	<b>25,797,076</b>
<b>Liabilities</b>						
Accounts payable	\$ 888,709	\$ 1,045	\$ -	\$ 889,754		889,754
Other payables	9,446	95		9,541		9,541
Customer deposits	142,150			142,150		142,150
Long-term debt						
Due within one year					1,315,000	1,315,000
Due after one year					8,730,000	8,730,000
<b>Total Liabilities</b>	<b>1,040,305</b>	<b>1,140</b>	<b>-</b>	<b>1,041,445</b>	<b>10,045,000</b>	<b>11,086,445</b>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	6,711	69,600		76,311	(76,311)	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Nonspendable	27,114			27,114	(27,114)	
Restricted		767,988	4,406,874	5,174,862	(5,174,862)	
Unassigned	4,783,928			4,783,928	(4,783,928)	
<b>Total Fund Balances</b>	<b>4,811,042</b>	<b>767,988</b>	<b>4,406,874</b>	<b>9,985,904</b>	<b>(9,985,904)</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,858,058</b>	<b>\$ 838,728</b>	<b>\$ 4,406,874</b>	<b>\$11,103,660</b>		
<b>Net Position</b>						
Net investment in capital assets					9,055,290	9,055,290
Restricted for:						
Debt service					837,588	837,588
Unrestricted					4,817,753	4,817,753
<b>Total Net Position</b>					<b>\$ 14,710,631</b>	<b>\$ 14,710,631</b>

See notes to basic financial statements.



**First Colony Municipal Utility District No. 9**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Water service	\$ 1,151,809	\$ -	\$ -	\$ 1,151,809	\$ -	\$ 1,151,809
Sewer service	1,282,297			1,282,297		1,282,297
Groundwater reduction fees	565,846			565,846		565,846
Property taxes	401,156	1,368,388		1,769,544	4,607	1,774,151
Penalties and interest	23,099	15,685		38,784	10,599	49,383
Tap connection and inspection	78,753			78,753		78,753
Accrued interest on bonds sold		6,796		6,796		6,796
Miscellaneous	14,262			14,262		14,262
Investment earnings	50,357	12,396	177	62,930		62,930
<b>Total Revenues</b>	<b>3,567,579</b>	<b>1,403,265</b>	<b>177</b>	<b>4,971,021</b>	<b>15,206</b>	<b>4,986,227</b>
<b>Expenditures/Expenses</b>						
Current service operations						
Purchased services	454,313			454,313		454,313
Professional fees	176,051		36,918	212,969		212,969
Contracted services	644,594	61,511		706,105		706,105
Repairs and maintenance	481,469			481,469		481,469
Utilities	109,999			109,999		109,999
Groundwater reduction fees	572,870			572,870		572,870
Administrative	104,545	11,333		115,878		115,878
Other	11,823			11,823		11,823
Capital outlay	1,007,421			1,007,421	(1,007,421)	
Debt service						
Principal		1,305,000		1,305,000	(1,305,000)	
Interest and fees		226,031		226,031		226,031
Debt issuance costs			214,335	214,335		214,335
Depreciation					616,984	616,984
<b>Total Expenditures/Expenses</b>	<b>3,563,085</b>	<b>1,603,875</b>	<b>251,253</b>	<b>5,418,213</b>	<b>(1,695,437)</b>	<b>3,722,776</b>
<b>Revenues Over (Under)</b>						
<b>Expenditures</b>	4,494	(200,610)	(251,076)	(447,192)	447,192	
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds		47,050	4,657,950	4,705,000	(4,705,000)	
Internal transfers	(300,000)	300,000				
<b>Net Change in Fund Balances</b>	(295,506)	146,440	4,406,874	4,257,808	(4,257,808)	
<b>Change in Net Position</b>					1,263,451	1,263,451
Fund Balance/Net Position						
Beginning of the year	5,106,548	621,548		5,728,096	7,719,084	13,447,180
<b>End of the year</b>	<b>\$ 4,811,042</b>	<b>\$ 767,988</b>	<b>\$ 4,406,874</b>	<b>\$ 9,985,904</b>	<b>\$ 4,724,727</b>	<b>\$ 14,710,631</b>

See notes to basic financial statements.

*(This page intentionally left blank)*

***First Colony Municipal Utility District No. 9***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of First Colony Municipal Utility District No. 9 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 30, 1984, and operates in accordance with the Texas Water Code, Chapters 49 and 5. The Board of Directors held its first meeting on June 12, 1984, and the first bonds were issued on August 5, 1984.

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

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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.

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

**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, 2020, allowances of \$1,932 and \$17,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

**Interfund Activity**

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

**Capital Assets**

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

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

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	20-45 years

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Deferred Inflows and Outflows of Financial Resources (continued)**

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

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

**Fund Balances – Governmental Funds (continued)**

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 and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**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	\$ 9,985,904
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Historical cost	\$ 26,720,685
Less accumulated depreciation	<u>(12,027,269)</u>
Change due to capital assets	14,693,416
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.	
	(10,045,000)
Property taxes and penalties and interest that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.	
	76,311
Total net position - governmental activities	<u><u>\$ 14,710,631</u></u>

**First Colony Municipal Utility District No. 9**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**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	\$ 4,257,808	
<p>Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes and related penalties and interest.</p>		
		15,206
<p>Governmental funds report capital outlays as expenditures in the funds; however, in the <i>Statement of Activities</i>, the cost of capital assets is charged to expense over the estimated useful life of the asset.</p>		
Capital outlays	\$ 1,007,421	
Depreciation expense	<u>(616,984)</u>	
		390,437
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets.</p>		
Issuance of long term debt	(4,705,000)	
Principal payments	<u>1,305,000</u>	
		(3,400,000)
Change in net position of governmental activities		<u><u>\$ 1,263,451</u></u>

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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



*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

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

**Investments**

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

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

As of September 30, 2020, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 1,258,381			
	Debt Service	344,765			
	Capital Projects	4,452,116			
		<u>6,055,262</u>	62%	AAAm	38 days
Texas CLASS	General	3,365,181			
	Debt Service	392,002			
		<u>3,757,183</u>	38%	AAAm	56 days
Total		<u>\$ 9,812,445</u>	<u>100%</u>		

### **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.

#### **Texas CLASS**

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

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

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

#### **Investment Credit and Interest Rate Risk**

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

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at September 30, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 4,477	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	45,623	Bond application fees and other debt related costs paid by the General Fund

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

A summary of internal transfers for the current fiscal year is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 300,000	Contribution for debt service requirements

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended September 30, 2020, is as follows:

	<u>Beginning Balances</u>	<u>Additions/Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 162,747	\$ -	\$ 162,747
Construction in progress	64,668	(64,668)	
	<u>227,415</u>	<u>(64,668)</u>	<u>162,747</u>
Capital assets being depreciated			
Infrastructure	25,485,849	1,072,089	26,557,938
Less accumulated depreciation	<u>(11,410,285)</u>	<u>(616,984)</u>	<u>(12,027,269)</u>
Subtotal depreciable capital assets, net	<u>14,075,564</u>	<u>455,105</u>	<u>14,530,669</u>
Capital assets, net	<u>\$ 14,302,979</u>	<u>\$ 390,437</u>	<u>\$ 14,693,416</u>

Depreciation expense for the current year was \$616,984.

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 6 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 10,045,000</u>
Due within one year	<u>\$ 1,315,000</u>

The District's bonds payable at September 30, 2020, 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 Refunding	\$ 1,345,000	\$ 6,760,000	3.00% - 4.50%	October 1, 2010/2023	April 1, October 1	October 1, 2018
2011 Refunding	1,445,000	6,280,000	2.00% - 4.00%	October 1, 2012/2023	April 1, October 1	October 1, 2020
2012	2,550,000	3,000,000	2.00% - 3.50%	October 1, 2019/2035	April 1, October 1	October 1, 2019
2020	4,705,000	4,705,000	2.00%	April 1, 2024/2045	April 1, October 1	October 1, 2025
	<u>\$ 10,045,000</u>					

At September 30, 2020, the District had \$11,995,000 combination unlimited tax and revenue refunding bonds authorized, but unissued.

On August 27, 2020, the District issued its \$4,705,000 Series 2020 Unlimited Tax and Revenue Bonds at a net effective interest rate of 2.016002%. Proceeds of the bonds will be used to finance capital projects in the District and to pay capitalized interest into the Debt Service Fund

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

Bonds payable, beginning of year	\$ 6,645,000
Bonds issued	4,705,000
Bonds retired	<u>(1,305,000)</u>
Bonds payable, end of year	<u>\$ 10,045,000</u>

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 6 – Long-Term Debt (continued)**

The debt service payment due October 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of September 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 1,315,000	\$ 289,827	\$ 1,604,827
2022	1,295,000	228,275	1,523,275
2023	930,000	180,062	1,110,062
2024	375,000	145,100	520,100
2025	380,000	136,800	516,800
2026	350,000	128,750	478,750
2027	350,000	121,000	471,000
2028	350,000	113,250	463,250
2029	350,000	104,750	454,750
2030	350,000	96,250	446,250
2031	350,000	87,750	437,750
2032	350,000	79,250	429,250
2033	350,000	70,375	420,375
2034	350,000	61,500	411,500
2035	350,000	52,250	402,250
2036	225,000	42,750	267,750
2037	225,000	38,250	263,250
2038	225,000	33,750	258,750
2039	225,000	29,250	254,250
2040	225,000	24,750	249,750
2041	225,000	20,250	245,250
2042	225,000	15,750	240,750
2043	225,000	11,250	236,250
2044	225,000	6,750	231,750
2045	225,000	2,250	227,250
	<u>\$ 10,045,000</u>	<u>\$ 2,120,189</u>	<u>\$ 12,165,189</u>

**Note 7 – Property Taxes**

On August 11, 1984, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 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.

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 7 – 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 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.22 per \$100 of assessed value, of which \$0.05 was allocated to maintenance and operations and \$0.17 was allocated to debt service. The resulting tax levy was \$1,774,819 on the adjusted taxable value of \$806,736,004.

Net property taxes receivable, at September 30, 2020, consisted of the following:

Current year taxes receivable	\$ 15,753
Prior years taxes receivable	33,391
Less allowance for uncollectible accounts	<u>(1,932)</u>
	47,212
Penalty and interest receivable	<u>29,099</u>
Net property taxes receivable	<u>\$ 76,311</u>

**Note 8 – Regional Wastewater Treatment Facilities Agreement**

In 1996, the District entered into an agreement, as subsequently amended, with the City of Missouri City (the "City") and Fort Bend County Municipal Utility District No. 42 for regional wastewater treatment facilities. Under the terms of the agreement, the District has the right to deliver 1,050,000 gallons per day capacity to a wastewater treatment plant, which is owned by the City and located outside the boundaries of the District. The District shares operating costs based on a budget prepared by the City as owner and operator of the plant.

The City bills the District monthly for its pro-rata share of budgeted operating expenses of the plant and provides an annual true-up based on actual costs. The District has notified the City that it disputes the validity of certain expenses and has withheld payment from the City pending resolution of its concerns. As of September 30, 2020, the District owes the City \$592,007, which is included in accounts payable. This amount is made up of the following components:

Current year costs	\$ 169,925
True up for 2019 fiscal year	313,230
True up for 2018 fiscal year	<u>108,852</u>
Total	<u>\$ 592,007</u>

*First Colony Municipal Utility District No. 9*  
*Notes to Basic Financial Statements*  
*September 30, 2020*

**Note 9 – Surface Water Contract**

Effective July 1, 2008, the District entered into a Joint Groundwater Reduction Plan Participant Agreement (the "Agreement") with the City of Missouri City (the "City") in order to meet regulatory compliance requirements of the Fort Bend Subsidence District (the "Subsidence District"). The Agreement continues until December 31, 2058. Under the terms of the Agreement, the City is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area A, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements.

Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage. In accordance with this provision, as of September 30, 2020, the city had established a well pumpage fee of \$1.72 per 1,000 gallons of water pumped from each regulated well. The District passes this fee onto its customers. The surface water pumpage fees incurred by the District to the City for the fiscal year ended September 30, 2020, were \$572,870. The District billed its customers \$565,846 for surface water fees during the fiscal year ended September 30, 2020.

**Note 10 – Interlocal Agreement with Thunderbird Utility District**

On September 28, 2010, as amended on November 16, 2017, the District and Thunderbird Utility District ("TBUD") entered into an agreement for the annexation of a 20.8519-acre tract of land located within the District. Upon annexation of the property the District agreed to finance the construction of facilities necessary to provide water and sanitary sewer service to this tract of land. TBUD agreed to operate and maintain the water and sanitary sewer portions of the facilities upon annexation of this tract. TBUD is responsible for all routine maintenance of the facilities. TBUD retains all water and sewer revenues derived from the operation of water and sewer facilities within the tract, including all tap fees and other charges. The term of the agreement is 40 years.

**Note 11 – 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 12 – 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. 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. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

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 the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.



## **Required Supplementary Information**

*First Colony Municipal Utility District No. 9  
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2020*

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Water service	\$ 1,000,000	\$ 1,151,809	\$ 151,809
Sewer service	1,250,000	1,282,297	32,297
Groundwater reduction fees	480,000	565,846	85,846
Property taxes	227,722	401,156	173,434
Penalties and interest	24,000	23,099	(901)
Tap connection and inspection	40,500	78,753	38,253
Miscellaneous	14,400	14,262	(138)
Investment earnings	72,000	50,357	(21,643)
<b>Total Revenues</b>	<b>3,108,622</b>	<b>3,567,579</b>	<b>458,957</b>
<b>Expenditures</b>			
Current service operations			
Purchased services	346,424	454,313	(107,889)
Professional fees	126,000	176,051	(50,051)
Contracted services	650,811	644,594	6,217
Repairs and maintenance	497,000	481,469	15,531
Utilities	110,000	109,999	1
Groundwater reduction fees	480,000	572,870	(92,870)
Administrative	104,891	104,545	346
Other	17,800	11,823	5,977
Capital outlay	1,300,000	1,007,421	292,579
<b>Total Expenditures</b>	<b>3,632,926</b>	<b>3,563,085</b>	<b>69,841</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(524,304)</b>	<b>4,494</b>	<b>528,798</b>
<b>Other Financing Uses</b>			
Internal transfers	(300,000)	(300,000)	
<b>Net Change in Fund Balance</b>	<b>(824,304)</b>	<b>(295,506)</b>	<b>528,798</b>
<b>Fund Balance</b>			
Beginning of the year	5,106,548	5,106,548	
<b>End of the year</b>	<b>\$ 4,282,244</b>	<b>\$ 4,811,042</b>	<b>\$ 528,798</b>

*First Colony Municipal Utility District No. 9*  
*Notes to Required Supplementary Information*  
*September 30, 2020*

**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.

*(This page intentionally left blank)*

## **Texas Supplementary Information**

**First Colony Municipal Utility District No. 9**

**TSI-1. Services and Rates**

**September 30, 2020**

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

- |  |   |   |  |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Solid Waste / Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control                    | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks / Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Roads                            | <input type="checkbox"/> Security            |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |   |  |
| <input type="checkbox"/> Other (Specify): _____  |   |   |  |

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:	\$ 7.00	-	N	\$ 2.25	0 to 10,000
				\$ 3.25	10,001 to 20,000
				\$ 3.75	20,001 to No limit
Wastewater/Garbage:	\$ 36.67	-	Y	\$ -	0 to No limit
GRP Fee	\$ 1.892	-	N	\$ 1.892	0 to No limit

District employs winter averaging for wastewater usage?  Yes  No

Total charges per 10,000 gallons usage: Water \$ 48.42 Wastewater \$ 36.67

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"	2,543	2,536	x 1.0	2,536
1"	56	54	x 2.5	135
1.5"	19	18	x 5.0	90
2"	79	76	x 8.0	608
3"	4	4	x 15.0	60
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	2,701	2,688		3,429
Total Wastewater	2,612	2,604	x 1.0	2,604

See accompanying auditor's report.

*First Colony Municipal Utility District No. 9*  
*TSI-1. Services and Rates*  
*September 30, 2020*

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>333,064,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>312,649,000</u>	(Gallons billed / Gallons pumped)
		<u>93.87%</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: \_\_\_\_\_

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9  
TSI-2 General Fund Expenditures  
For the Year Ended September 30, 2020*

Purchased services	<u>\$ 454,313</u>
Professional fees	
Legal	90,070
Audit	12,000
Engineering	73,981
	<u>176,051</u>
Contracted services	
Bookkeeping	24,143
Operator	140,618
Garbage collection	438,418
Tap connection and inspection	41,415
	<u>644,594</u>
Repairs and maintenance	<u>481,469</u>
Utilities	<u>109,999</u>
Groundwater reduction fees	<u>572,870</u>
Administrative	
Directors fees	16,351
Printing and office supplies	31,016
Insurance	19,750
Other	37,428
	<u>104,545</u>
Other	<u>11,823</u>
Capital outlay	<u>1,007,421</u>
Total expenditures	<u><u>\$ 3,563,085</u></u>

See accompanying auditors' report.



*First Colony Municipal Utility District No. 9*  
*TSI-3. Investments*  
*September 30, 2020*

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,258,381
Texas CLASS	Variable	N/A	3,365,181
			<u>4,623,562</u>
Debt Service			
TexPool	Variable	N/A	344,765
Texas CLASS	Variable	N/A	392,002
			<u>736,767</u>
Capital Projects			
TexPool	Variable	N/A	<u>4,452,116</u>
Total - All Funds			<u>\$ 9,812,445</u>

See accompanying auditors' report.

**First Colony Municipal Utility District No. 9**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2020**

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 4,594	\$ 38,011	\$ 42,605	
Adjustments	(96)	(573)	(669)	
Adjusted Receivable	4,498	37,438	41,936	
2019 Original Tax Levy	403,572	1,372,146	1,775,718	
Adjustments	(204)	(695)	(899)	
Adjusted Tax Levy	403,368	1,371,451	1,774,819	
Total to be accounted for	407,866	1,408,889	1,816,755	
Tax collections:				
Current year	399,787	1,359,278	1,759,065	
Prior years	1,368	9,110	10,478	
Total Collections	401,155	1,368,388	1,769,543	
Taxes Receivable, End of Year	\$ 6,711	\$ 40,501	\$ 47,212	
Taxes Receivable, By Years				
2019	\$ 3,580	\$ 12,173	\$ 15,753	
2018	908	5,748	6,656	
2017	544	3,807	4,351	
2016 and prior	1,679	18,773	20,452	
Taxes Receivable, End of Year	\$ 6,711	\$ 40,501	\$ 47,212	
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 156,535,850	\$ 155,579,340	\$ 154,964,400	\$ 154,203,780
Improvements	663,159,606	647,898,920	628,561,798	604,702,810
Personal Property	26,132,012	26,840,835	23,594,967	25,650,870
Exemptions	(39,091,464)	(37,424,393)	(35,353,932)	(32,420,665)
Total Property Valuations	\$ 806,736,004	\$ 792,894,702	\$ 771,767,233	\$ 752,136,795
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.05	\$ 0.03	\$ 0.03	\$ 0.030
Debt service tax rates	0.17	0.19	0.21	0.225
Total Tax Rates per \$100 Valuation	\$ 0.22	\$ 0.22	\$ 0.24	\$ 0.255
Adjusted Tax Levy:	\$ 1,774,819	\$ 1,744,368	\$ 1,852,241	\$ 1,917,949
Percentage of Taxes Collected to Taxes Levied **	99.11%	99.62%	99.77%	99.81%

\* Maximum Maintenance Tax Rate Approved by Voters: \$0.25 on August 11, 1984

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

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2009 Refunding--by Years  
 September 30, 2020*

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2021	\$ 575,000	\$ 56,444	\$ 631,444
2022	565,000	32,725	597,725
2023	205,000	8,712	213,712
	<u>\$ 1,345,000</u>	<u>\$ 97,881</u>	<u>\$ 1,442,881</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9  
 TSI-5. Long-Term Debt Service Requirements  
 Series 2011 Refunding--by Years  
 September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2021	\$ 490,000	\$ 55,350	\$ 545,350
2022	480,000	38,200	518,200
2023	475,000	19,000	494,000
	<u>\$ 1,445,000</u>	<u>\$ 112,550</u>	<u>\$ 1,557,550</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2012--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2021	\$ 250,000	\$ 68,250	\$ 318,250
2022	250,000	63,250	313,250
2023	250,000	58,250	308,250
2024	150,000	53,250	203,250
2025	150,000	49,500	199,500
2026	150,000	45,750	195,750
2027	150,000	42,000	192,000
2028	150,000	38,250	188,250
2029	150,000	33,750	183,750
2030	150,000	29,250	179,250
2031	150,000	24,750	174,750
2032	150,000	20,250	170,250
2033	150,000	15,375	165,375
2034	150,000	10,500	160,500
2035	150,000	5,250	155,250
	<u>\$ 2,550,000</u>	<u>\$ 557,625</u>	<u>\$ 3,107,625</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2021	\$ -	\$ 109,783	\$ 109,783
2022		94,100	94,100
2023		94,100	94,100
2024	225,000	91,850	316,850
2025	230,000	87,300	317,300
2026	200,000	83,000	283,000
2027	200,000	79,000	279,000
2028	200,000	75,000	275,000
2029	200,000	71,000	271,000
2030	200,000	67,000	267,000
2031	200,000	63,000	263,000
2032	200,000	59,000	259,000
2033	200,000	55,000	255,000
2034	200,000	51,000	251,000
2035	200,000	47,000	247,000
2036	225,000	42,750	267,750
2037	225,000	38,250	263,250
2038	225,000	33,750	258,750
2039	225,000	29,250	254,250
2040	225,000	24,750	249,750
2041	225,000	20,250	245,250
2042	225,000	15,750	240,750
2043	225,000	11,250	236,250
2044	225,000	6,750	231,750
2045	225,000	2,250	227,250
	<u>\$ 4,705,000</u>	<u>\$ 1,352,133</u>	<u>\$ 6,057,133</u>

See accompanying auditors' report.

*First Colony Municipal Utility District No. 9*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*September 30, 2020*

<u>Due During Fiscal Years Ending</u>	<u>Principal Due October 1</u>	<u>Interest Due April 1, October 1</u>	<u>Total</u>
2021	\$ 1,315,000	\$ 289,827	\$ 1,604,827
2022	1,295,000	228,275	1,523,275
2023	930,000	180,062	1,110,062
2024	375,000	145,100	520,100
2025	380,000	136,800	516,800
2026	350,000	128,750	478,750
2027	350,000	121,000	471,000
2028	350,000	113,250	463,250
2029	350,000	104,750	454,750
2030	350,000	96,250	446,250
2031	350,000	87,750	437,750
2032	350,000	79,250	429,250
2033	350,000	70,375	420,375
2034	350,000	61,500	411,500
2035	350,000	52,250	402,250
2036	225,000	42,750	267,750
2037	225,000	38,250	263,250
2038	225,000	33,750	258,750
2039	225,000	29,250	254,250
2040	225,000	24,750	249,750
2041	225,000	20,250	245,250
2042	225,000	15,750	240,750
2043	225,000	11,250	236,250
2044	225,000	6,750	231,750
2045	225,000	2,250	227,250
	<u>\$ 10,045,000</u>	<u>\$ 2,120,189</u>	<u>\$ 12,165,189</u>

See accompanying auditors' report.

**First Colony Municipal Utility District No. 9**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2020**

	Bond Issue				Totals
	Series 2009 Refunding	Series 2011 Refunding	Series 2012	Series 2020	
Interest rate	3.00% - 4.50%	2.00% - 4.00%	2.00% - 3.50%	2.00%	
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	4/1; 10/1	
Maturity dates	10/1/10 - 10/1/23	10/1/12 - 10/1/23	10/1/19 - 10/1/35	4/1/24 - 4/1/45	
Beginning bonds outstanding	\$ 1,930,000	\$ 1,940,000	\$ 2,775,000	\$ -	\$ 6,645,000
Bonds issued				4,705,000	4,705,000
Bonds retired	(585,000)	(495,000)	(225,000)		(1,305,000)
Ending bonds outstanding	<u>\$ 1,345,000</u>	<u>\$ 1,445,000</u>	<u>\$ 2,550,000</u>	<u>\$ 4,705,000</u>	<u>\$ 10,045,000</u>
Interest paid during fiscal year	<u>\$ 79,844</u>	<u>\$ 71,438</u>	<u>\$ 72,750</u>	<u>\$ -</u>	<u>\$ 224,031</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:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>			
Amount Authorized by Voters	\$ 36,340,000	\$ 14,000,000			
Amount Issued	(36,340,000)	(2,005,000)			
Remaining To Be Issued	<u>\$</u>	<u>\$ 11,995,000</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, 2020: \$ 772,113

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 486,608

See accompanying auditors' report.



*(This page intentionally left blank)*

*First Colony Municipal Utility District No. 9*

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund  
For the Last Five Fiscal Years*

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Water service	\$ 1,151,809	\$ 1,071,467	\$ 1,052,305	\$ 1,005,646	\$ 988,342
Sewer service	1,282,297	1,224,633	1,217,178	1,202,038	1,253,331
Groundwater reduction fees	565,846	538,391	592,439	574,164	557,320
Property taxes	401,156	236,802	229,772	225,267	207,972
Penalties and interest	23,099	37,597	35,339	34,902	44,025
Tap connection and inspection	78,753	22,374	134,515	167,125	1,330
Capacity charges			100,249		
Miscellaneous	14,262	16,146	13,343	34,347	29,393
Investment earnings	50,357	102,682	66,918	21,460	8,347
<b>Total Revenues</b>	<b>3,567,579</b>	<b>3,250,092</b>	<b>3,442,058</b>	<b>3,264,949</b>	<b>3,090,060</b>
Expenditures					
Current service operations					
Purchased services	454,313	280,518	335,494	759,599	769,415
Professional fees	176,051	149,606	120,119	90,500	99,518
Contracted services	644,594	671,651	657,676	182,321	206,382
Repairs and maintenance	481,469	488,003	444,032	448,020	424,933
Utilities	109,999	91,788	136,473	101,270	104,189
Groundwater reduction fees	572,870	550,456	571,398	562,097	531,942
Purchased capacity			125,500		
Administrative	104,545	85,769	91,070	114,228	97,316
Other	11,823	16,968	15,877		
Capital outlay	1,007,421	230,461	10,000	505,657	161,993
<b>Total Expenditures</b>	<b>3,563,085</b>	<b>2,565,220</b>	<b>2,507,639</b>	<b>2,763,692</b>	<b>2,395,688</b>
<b>Revenues Over Expenditures</b>	<b>\$ 4,494</b>	<b>\$ 684,872</b>	<b>\$ 934,419</b>	<b>\$ 501,257</b>	<b>\$ 694,372</b>

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
32%	32%	30%	30%	32%
37%	39%	36%	37%	41%
16%	17%	17%	18%	18%
11%	7%	7%	7%	7%
1%	1%	1%	1%	1%
2%	1%	4%	5%	*
		3%		
*	*	*	1%	1%
1%	3%	2%	1%	*
100%	100%	100%	100%	100%

13%	9%	10%	23%	25%
5%	5%	3%	3%	3%
18%	21%	19%	6%	7%
13%	15%	13%	14%	14%
3%	3%	4%	3%	3%
16%	17%	17%	17%	17%
		4%		
3%	3%	3%	3%	3%
*	1%	*		
28%	7%	*	15%	5%
99%	81%	73%	84%	77%

1%	19%	27%	16%	23%
----	-----	-----	-----	-----

*First Colony Municipal Utility District No. 9*

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

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 1,368,388	\$ 1,500,614	\$ 1,611,574	\$ 1,690,837	\$ 1,738,510
Penalties and interest	15,685	13,216	11,351	14,505	12,539
Accrued interest on bonds sold	6,796				
Miscellaneous			94		
Investment earnings	12,396	37,566	26,119	14,102	4,874
Total Revenues	<u>1,403,265</u>	<u>1,551,396</u>	<u>1,649,138</u>	<u>1,719,444</u>	<u>1,755,923</u>
Expenditures					
Tax collection services	72,844	68,269	68,005	68,731	69,989
Debt service					
Principal	1,305,000	1,320,000	1,560,000	1,720,000	1,305,000
Debt interest and fees	226,031	272,231	324,581	374,369	415,883
Total Expenditures	<u>1,603,875</u>	<u>1,660,500</u>	<u>1,952,586</u>	<u>2,163,100</u>	<u>1,790,872</u>
Revenues Under Expenditures	<u>\$ (200,610)</u>	<u>\$ (109,104)</u>	<u>\$ (303,448)</u>	<u>\$ (443,656)</u>	<u>\$ (34,949)</u>
Total Active Retail Water Connections	<u>2,688</u>	<u>2,681</u>	<u>2,677</u>	<u>2,686</u>	<u>2,668</u>
Total Active Retail Wastewater Connections	<u>2,604</u>	<u>2,596</u>	<u>2,592</u>	<u>2,599</u>	

\*Percentage is negligible

\*\*Total Active Retail Wastewater Connections for 2016 were combined with Water Connections.

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017	2016
98%	97%	97%	98%	99%
1%	1%	1%	1%	1%
*				
		*		
1%	2%	2%	1%	*
100%	100%	100%	100%	100%
5%	4%	4%	4%	4%
93%	85%	95%	100%	74%
16%	18%	20%	22%	24%
114%	107%	119%	126%	102%
(14%)	(7%)	(19%)	(26%)	(2%)

**First Colony Municipal Utility District No. 9**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended September 30, 2020**

Complete District Mailing Address: 6363 Woodway, Ste. 800, Houston, TX 77057  
 District Business Telephone Number: (713) 739-1060  
 Submission Date of the most recent District Registration Form  
 (TWC Sections 36.054 and 49.054): May 21, 2020  
 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>				
Rod Castells	05/18 to 05/22	\$ 7,200	\$ 80	President
Gary Perry	05/20 to 05/24	2,850	939	Vice President
Marguerite Burton	05/18 to 05/22	3,150	823	Secretary/ Investment Officer
Randall Grogan	05/18 to 05/22	1,350		Assistant Secretary/ Treasurer
Carl Brown	05/20 to 05/24	1,800		Director
<b>Consultants</b>				
		<u>Amounts Paid</u>		
Bacon & Wallace L.L.P.	01/01			Attorney
<i>General legal fees</i>		\$ 83,149		
<i>Bond counsel</i>		87,815		
Municipal District Services, LLC	05/15	668,655		Operator
McLennan & Associates	05/04	25,621		Bookkeeper
Tax Tech, Inc	04/00	47,181		Tax Collector
Fort Bend Central Appraisal District	Appointed	14,330		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/96	4,169		Delinquent Tax Attorney
Costello, Inc	11/97	27,359		Former Engineer
Jones & Carter	04/19	36,918		Engineer
McGrath & Co. PLLC	2018	13,000		Auditor
Masterson Advisors, LLC	04/18	66,466		Financial Advisor

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

**APPENDIX B**

**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