

**OFFICIAL STATEMENT DATED JUNE 1, 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 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 Ratings (AGM): S&P "AA" (stable outlook)  
 Moody's "A2" (stable outlook)  
 Underlying Rating: Moody's "Baa1"  
 See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

**\$4,005,000**

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 187  
 (A political subdivision of the State of Texas located within Fort Bend County)  
 UNLIMITED TAX PARK BONDS  
 SERIES 2021**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 187 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Richmond or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

**Dated Date: June 1, 2021**

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

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

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



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**

| Principal Amount | Maturity (March 1) | CUSIP Number(b) | Interest Rate | Initial Reoffering Yield(c) | Principal Amount | Maturity (March 1) | CUSIP Number(b) | Interest Rate | Initial Reoffering Yield(c) |
|------------------|--------------------|-----------------|---------------|-----------------------------|------------------|--------------------|-----------------|---------------|-----------------------------|
| \$ 120,000       | 2022               | 34683D MN1      | 3.00 %        | 0.30 %                      | \$ 130,000       | 2025               | 34683D MR2      | 3.00 %        | 0.85 %                      |
| 125,000          | 2023               | 34683D MP6      | 3.00          | 0.50                        | 135,000          | 2026               | 34683D MS0      | 3.00          | 1.00                        |
| 125,000          | 2024               | 34683D MQ4      | 3.00          | 0.70                        | 135,000          | 2027 (a)           | 34683D MT8      | 1.00          | 1.20                        |

\$285,000 Term Bonds due March 1, 2029 (a), 34683D MV3 (b), 1.250% Interest Rate, 1.40% Yield (c)  
 \$305,000 Term Bonds due March 1, 2031 (a), 34683D MX9 (b), 2.000% Interest Rate, 1.60% Yield (c)  
 \$320,000 Term Bonds due March 1, 2033 (a), 34683D MZ4 (b), 2.000% Interest Rate, 1.80% Yield (c)  
 \$335,000 Term Bonds due March 1, 2035 (a), 34683D NB6 (b), 2.000% Interest Rate, 2.00% Yield (c)  
 \$355,000 Term Bonds due March 1, 2037 (a), 34683D ND2 (b), 2.000% Interest Rate, 2.08% Yield (c)  
 \$375,000 Term Bonds due March 1, 2039 (a), 34683D NF7 (b), 2.000% Interest Rate, 2.15% Yield (c)  
 \$395,000 Term Bonds due March 1, 2041 (a), 34683D NH3 (b), 2.125% Interest Rate, 2.25% Yield (c)  
 \$865,000 Term Bonds due March 1, 2045 (a), 34683D NM2 (b), 2.250% Interest Rate, 2.30% Yield (c)

- (a) Bonds maturing on or after March 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) also are subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP 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) Initial 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 subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about June 30, 2021.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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 OFFICIAL STATEMENT—Updating the Official Statement."

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

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 98.0174% of the par value thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.242594%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial 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 which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## OFFICIAL STATEMENT SUMMARY

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

### INFECTIOUS DISEASE OUTLOOK (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 Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

*Impact...*

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. See “THE DISTRICT—Status of Development.”

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. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

### EXTREME WEATHER EVENTS; HURRICANE HARVEY

*General...*

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the 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.

*Impact on the District...*

According to Costello, Inc. (the “Engineer”), the water and sewer system serving the District, which is owned and operated by the City of Richmond, Texas, did not sustain any material damage and there was no interruption of water and sewer service during the event. Further, the District was not notified of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the 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. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

## THE DISTRICT

|  |   |
|--|---|
| <i>Description...</i>                                | The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality ("TCEQ"), on May 9, 2008, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 520 acres of land. See "THE DISTRICT."  |
| <i>Location...</i>                                   | The District is located approximately 30 miles southwest of the central downtown business district of the City of Houston and within the extraterritorial jurisdiction of the City of Richmond. The District is also located within the boundaries of the Lamar Consolidated Independent School District. The District is bounded by Farm-to-Market 762 on its west boundary and US Highway 59 to the southeast, which provide major access to the cities of Sugar Land and Houston for the residents in the District. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."  |
| <i>The Developer...</i>                              | The developer of the land within the District is CW Richmond LP, a Texas limited partnership (the "Developer") with Caldwell Companies, Houston, Texas as its general Partner. The Developer was formed for the sole purpose of developing its land within the District. The Developer has sold all developed lots in the District to Pulte Homes of Texas, L.P. ("Pulte Homes"), a Texas limited partnership. Pulte Homes is wholly owned by Pulte Homes, Inc., a Michigan corporation, whose common stock is listed on the New York Stock Exchange. The Developer has completed development in the District and does not own any developable land or lots within the District. See "THE DEVELOPER" and "TAX DATA—Principal Taxpayers."  |
| <i>Status of Development...</i>                      | The District is being developed as Del Webb Sweetgrass, an active adult/retirement community with home ownership restricted to purchasers age 55 or older with additional restrictions on children living in the home. Del Webb is a trademark community of Pulte Homes. As of April 30, 2021, 1,535 single-family residential lots on approximately 458 acres had been completed, 1,500 homes were completed and occupied, 35 homes were under construction or in Pulte Home's name and there were no vacant developed lots were available for home construction. The 2020 average homestead value in the District was \$269,684. There are no additional developable acres within the District. Approximately 62 acres in the District are not developable (rights-of-way, detention, open spaces, easements, lake reserve, recreation, levee and utility sites). See "THE DISTRICT."   |
| <i>Homebuilder...</i>                                | Pulte Homes is the only homebuilder constructing homes in the District. See "THE DEVELOPER."  |
| <i>Fort Bend Levee Improvement District No. 6...</i> | All of the land in the District lies within Fort Bend Levee Improvement District No. 6 ("LID 6"), which encompasses approximately 1,522 acres of land. LID 6 has constructed a system of levees, detention ponds, channels and other drainage improvements and finances the acquisition and/or construction of drainage and levee facilities with the proceeds of its unlimited tax bonds. LID 6 has \$36,355,000 principal amount of unlimited tax bonds currently outstanding and has authorized the preparation of a bond application to the TCEQ requesting approval to sell approximately \$7,000,000 principal amount of levee improvement bonds. LID 6 levied a 2020 tax rate of \$0.50 per \$100 of taxable assessed valuation (\$0.375 for debt service and \$0.125 for maintenance and operations). See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values," and "—Tax Payments—Overlapping Debt and Taxes." |

*Payment Record...* The District has previously issued \$32,030,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities in seven series and \$10,300,000 principal amount of unlimited tax road bonds in three series, and \$5,535,000 principal amount of unlimited tax refunding bonds in two series, \$36,385,000 of which collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on its debt service obligations. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

## **THE BONDS**

*Description...* The \$4,005,000 Unlimited Tax Park Bonds, Series 2021 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on March 1 in each of the years 2022 through 2027, both inclusive, and as term bonds on March 1 in each of the years 2029, 2031, 2033, 2035, 2037, 2039, 2041, and 2045 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2021 and is payable September 1, 2021, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

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

*Redemption...* Bonds maturing on or after March 1, 2027 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 March 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds also are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds...* Proceeds of the Bonds will be used to pay for construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay administrative and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”

*Authority for Issuance...* The Bonds are the first series of bonds issued by the District out of an aggregate of \$29,160,000 principal amount of unlimited tax bonds authorized by the District’s voters for park and recreational facilities and refunding such bonds. The Bonds are issued by the District pursuant to an order of the TCEQ, 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, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”

*Source of Payment...* Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Richmond, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Rating and  
Municipal Bond Insurance...*

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service, Inc. ("Moody's") have assigned municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer"). Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

*Qualified Tax-Exempt  
Obligations...*

The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

*Bond Counsel...*

Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS," and "TAX MATTERS."

*Financial Advisor...*

Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."

*Disclosure Counsel...*

McCall, Parkhurst & Horton L.L.P., Houston, Texas.

*Paying Agent/Registrar...*

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

### **INVESTMENT CONSIDERATIONS**

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



**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

|  |                   |     |
|--|-------------------|-----|
| 2020 Certified Taxable Assessed Valuation.....   | \$363,803,155     | (a) |
| 2021 Preliminary Taxable Assessed Valuation.....   | \$396,655,409     | (b) |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....                               | \$400,556,816     | (c) |
| Gross Direct Debt Outstanding .....  | \$40,390,000      | (d) |
| Estimated Overlapping Debt .....   | <u>51,788,035</u> | (e) |
| Gross Direct Debt and Estimated Overlapping Debt.....                                      | \$92,178,035      |     |
| Ratios of Gross Direct Debt to:  |                   |     |
| 2021 Preliminary Taxable Assessed Valuation .....  | 10.18%            |     |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....                               | 10.08%            |     |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to:                             |                   |     |
| 2021 Preliminary Taxable Assessed Valuation.....   | 23.24%            |     |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....                               | 23.01%            |     |
| Funds Available for Debt Service as of May 11, 2021:                                       |                   |     |
| Road Debt Service Funds.....   | \$ 688,120        |     |
| Water, Sewer, Drainage and Park Debt Service Funds .....                                   | <u>2,186,769</u>  |     |
| Total Funds Available for Debt Service.....  | \$2,874,889       | (f) |
| Operating Funds Available as of May 11, 2021 .....   | \$830,183         |     |
| Funds Available for Capital Projects as of May 11, 2021:                                   |                   |     |
| Road Capital Projects Funds .....  | \$ 9,134          |     |
| Water, Sewer, Drainage and Park Capital Projects .....                                     | <u>132,945</u>    |     |
| Total Funds Available for Capital Projects .....   | \$142,079         |     |
| 2020 Debt Service Tax Rate.....  | \$0.780           | (g) |
| 2020 Maintenance Tax Rate.....   | <u>0.035</u>      |     |
| 2020 Total Tax Rate.....   | \$0.815           |     |
| Average Annual Debt Service Requirement (2022-2045).....                                   | \$2,171,897       | (h) |
| Maximum Annual Debt Service Requirement (2022).....  | \$2,951,669       | (h) |
| Tax Rates Required to Pay Average Annual Debt Service (2022-2045) at a 95% Collection Rate |                   |     |
| Based upon 2021 Preliminary Taxable Assessed Valuation .....                               | \$0.58            | (i) |
| Based upon Estimated Taxable Assessed Valuation as of May 1, 2021 .....                    | \$0.58            | (i) |
| Tax Rates Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate      |                   |     |
| Based upon 2021 Preliminary Taxable Assessed Valuation .....                               | \$0.79            | (i) |
| Based upon Estimated Taxable Assessed Valuation as of May 1, 2021 .....                    | \$0.78            | (i) |
| Status of Development as of April 30, 2021 (j):  |                   |     |
| Homes Completed and Occupied .....   | 1,500             |     |
| Homes Under Construction or in Builder's Name .....  | 35                |     |
| Lots Available for Construction.....   | 0                 |     |
| Estimated Population .....   | 3,000             | (k) |

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to property owner protest and Appraisal District review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the summer of 2021. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of improvements on May 1, 2021. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (d) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (e) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer, drainage and park facilities (the "Water, Sewer and Drainage and Park Bonds") and a pro rata portion will be allocated to bonds sold for road facilities (the "Road Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds." The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage and Park Bonds or the Bonds nor will funds deposited into the Water, Sewer and Drainage and Park Debt Service Fund be pledged to the Road Bonds.
- (g) Of the total debt service tax levy for 2020, \$0.18 per \$100 of assessed valuation is allocated to road bond debt service and \$0.60 per \$100 of assessed valuation is allocated to water, sewer and drainage and park debt service.
- (h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (i) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."
- (j) See "THE DISTRICT—Land Use" and "—Status of Development."
- (k) Based upon 2 persons per single-family residence.

## OFFICIAL STATEMENT

### **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 187** *(A political subdivision of the State of Texas located within Fort Bend County)*

**\$4,005,000**

### **UNLIMITED TAX PARK BONDS SERIES 2021**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 187 (the “District”) of its \$4,005,000 Unlimited Tax Park Bonds, Series 2021 (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, CW Richmond LP (the “Developer”), Pulte Homes of Texas, L.P. (“Pulte Homes”) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

## THE BONDS

### **Description**

The Bonds will be dated and accrue interest from June 1, 2021, with interest payable each March 1 and September 1, beginning September 1, 2021 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

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

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

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

### **Source of Payment**

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

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

**Funds**

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

The District also maintains a Road Debt Service Fund that is not pledged to Water, Sewer and Drainage and Park Bonds, including the Bonds. Funds in the Water, Sewer and Drainage and Park Debt Service Fund are not available to pay principal and interest on the outstanding Road Bonds and funds in the Road Debt Service Fund are not available to pay principal and interest on the Water, Sewer and Drainage and Park Bonds, including the Bonds.

Accrued interest on the Bonds shall be deposited into the Water, Sewer and Drainage and Park Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Park Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs, for paying the costs of issuance of the Bonds and for paying creation costs. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto. Any monies remaining in the Park Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Water, Sewer and Drainage and Park 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 then 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 Resolutions 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 that the Bonds shall not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

**Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on March 1 in each of the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2045 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

|   |                             |   |                             |   |                             |
|---|-----------------------------|---|-----------------------------|---|-----------------------------|
| <b>\$285,000 Term Bonds<br/>Due March 1, 2029</b> |                             | <b>\$305,000 Term Bonds<br/>Due March 1, 2031</b> |                             | <b>\$320,000 Term Bonds<br/>Due March 1, 2033</b> |                             |
| <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> | <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> | <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> |
| 2028  | \$ 140,000                  | 2030  | \$ 150,000                  | 2032  | \$ 160,000                  |
| 2029 (maturity)                                   | 145,000                     | 2031 (maturity)                                   | 155,000                     | 2033 (maturity)                                   | 160,000                     |
| <b>\$335,000 Term Bonds<br/>Due March 1, 2035</b> |                             | <b>\$355,000 Term Bonds<br/>Due March 1, 2037</b> |                             | <b>\$375,000 Term Bonds<br/>Due March 1, 2039</b> |                             |
| <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> | <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> | <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> |
| 2034  | \$ 165,000                  | 2036  | \$ 175,000                  | 2038  | \$ 185,000                  |
| 2035 (maturity)                                   | 170,000                     | 2037 (maturity)                                   | 180,000                     | 2039 (maturity)                                   | 190,000                     |
| <b>\$395,000 Term Bonds<br/>Due March 1, 2041</b> |                             | <b>\$865,000 Term Bonds<br/>Due March 1, 2045</b> |                             |   |                             |
| <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> | <b>Mandatory<br/>Redemption Date</b>              | <b>Principal<br/>Amount</b> |   |                             |
| 2040  | \$ 195,000                  | 2042  | \$ 205,000                  |   |                             |
| 2041 (maturity)                                   | 200,000                     | 2043  | 215,000                     |   |                             |
|   |                             | 2044  | 220,000                     |   |                             |
|   |                             | 2045 (maturity)                                   | 225,000                     |   |                             |

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

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

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

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

### **Authority for Issuance**

At a bond election held within the District on November 4, 2008, voters of the District authorized the issuance of \$29,160,000 principal amount of unlimited tax bonds for park and recreational facilities and refunding such bonds. See "Issuance of Additional Debt" below.

The TCEQ has authorized the District to sell a maximum of \$4,100,000 principal amount of unlimited tax park bonds, subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to an order of the TCEQ, 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, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

### **Registration and Transfer**

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

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

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

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

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

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

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of \$137,535,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and refunding such bonds, \$29,160,000 principal amount of unlimited tax bonds for park and recreational facilities and refunding, \$20,825,000 principal amount of unlimited tax bonds for road facilities and \$680,000 principal amount of unlimited tax bonds for fire-fighting facilities and refunding such bonds and could authorize additional amounts. After the issuance of the Bonds, the District will have \$25,155,000 principal amount of unlimited tax bonds for park and recreational purposes and refunding such bonds, \$105,150,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities and refunding of such bonds, all of the bonds authorized for fire-fighting, and \$10,525,000 principal amount of unlimited tax bonds for road purposes authorized but unissued. Issuance of additional bonds could dilute the investment security for the Bonds. See "INVESTMENT CONSIDERATIONS—Future Debt."

## **Annexation by the City of Richmond**

The District is located entirely within the extraterritorial jurisdiction of the City of Richmond. The City of Richmond may annex the District at any time under current Texas law, but, as a general law municipality, it is required to obtain the consent of the residents and property owners of the District by either election or petition, respectively. In the event the City of Richmond were converted to a home-rule municipality by the adoption of a city charter, such consent would not be required. The District has approved a strategic partnership agreement with the City of Richmond (the “Strategic Partnership Agreement”), which provides that the City of Richmond may annex the District at such time as ninety percent (90%) of the District’s water, sewer and drainage facilities as well as roads and park and recreational facilities have been constructed and the Developer has been reimbursed for such facilities or the City of Richmond assumes such reimbursement obligation. According to the Engineer (as herein defined), 100% of such water, sewer and drainage facilities and roads have been constructed as of the date hereof, but the City of Richmond has not approached the District to pursue annexation. In any event, upon annexation of the District by the City of Richmond, the District would be dissolved, and all of the assets and liabilities of the District (including the Bonds) would accrue to the City of Richmond. The District makes no representation with respect to the likelihood of the annexation of the District by the City of Richmond, or the ability of the City of Richmond to pay principal and interest on the Bonds in such event.

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Richmond, the District must conform to a City of Richmond consent ordinance. Generally, the District may be annexed by the City of Richmond without the District’s consent, and the City of Richmond cannot annex territory within the District unless it annexes the entire District; however, the City of Richmond may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a Strategic Partnership Agreement between the City of Richmond and the District specifying procedures for full purpose annexation of all or a portion of the District. See “Strategic Partnership Agreement,” below, for a description of the terms of the Strategic Partnership Agreement between the City and the District.

If the District is annexed, the City of Richmond will assume the District’s assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Richmond is a policy-making matter within the discretion of the Mayor and City Council of the City of Richmond, and therefore, the District makes no representation that the City of Richmond will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Richmond to make debt service payment should annexation occur.

## **Strategic Partnership Agreement**

The Strategic Partnership Agreement states that the City of Richmond will not fully annex the District until 90 percent of the District’s water, sewer and drainage facilities have been constructed and the Developer has been reimbursed to the maximum extent of the law. Further, the City of Richmond has the ability to annex for limited purposes the commercial property in the District to levy a sales and use tax.

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

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

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

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

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

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

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

## **Defeasance**

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

## BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from Standard and Poor's Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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



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 (or the Trustee on behalf thereof) 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).

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

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

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

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Costello, Inc., the District’s engineer (the “Engineer”). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

### I. CONSTRUCTION COSTS

|  |                     |
|--|---------------------|
| • Thompson Road/Project Entry.....                                   | \$ 773,485          |
| • Rabb's Bayou, Dry Mitigation Park and Lake 1.....                  | 433,623             |
| • Del Webb Boulevard Marketing Trail from Bridge to Section Six..... | 112,504             |
| • Del Webb Boulevard Section Six to Loop Road.....                   | 301,611             |
| • Sweetgrass Circle, Section Eight to Section Eighteen-B.....        | 309,801             |
| • Sweetgrass Circle, Section Nine.....                               | 215,079             |
| • Sweetgrass Circle, Section Ten.....                                | 427,003             |
| • Sweetgrass Circle, Section Eleven, Twelve-B and Sixteen-B.....     | 159,645             |
| • Sweetgrass Circle, Section Thirteen-B, Twelve-A and Sixteen-A..... | 120,432             |
| • Sweetgrass Circle, Section Thirteen-A, Fourteen and Fifteen.....   | 221,137             |
| • Detention Pond, Phase I.....                                       | 124,076             |
| • Landscape Architect and Lab.....                                   | 414,772             |
| <b>Total Construction Costs.....</b>                                 | <b>\$ 3,613,168</b> |

### II. NON-CONSTRUCTION COSTS

|  |                  |
|--|------------------|
| • Underwriter’s Discount (b).....        | \$ 79,401        |
| <b>Total Non-Construction Costs.....</b> | <b>\$ 79,401</b> |

### III. ISSUANCE COSTS AND FEES

|   |                   |
|---|-------------------|
| • Issuance Costs and Professional Fees..... | \$ 237,714        |
| • Bond Application Report Cost.....         | 60,000            |
| • State Regulatory Fees.....                | 14,018            |
| • Contingency (b).....                      | 699               |
| <b>Total Issuance Costs and Fees.....</b>   | <b>\$ 312,431</b> |

**TOTAL BOND ISSUE..... \$ 4,005,000 (a)**

(a) The TCEQ approved a maximum of \$4,100,000 principal amount.

(b) The TCEQ approved a maximum Underwriter’s discount of 2.00%. Contingency represents the difference between the estimated and actual amount of Underwriter’s discount.

## THE DISTRICT

### General

The District is a municipal utility district created by an order of the TCEQ dated May 9, 2008, after a hearing on petition for creation submitted by the Developer. 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, and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may also issue bonds to purchase, construct, acquire, own, maintain and operate inside or outside the District’s boundaries any macadamized or paved roads and turnpikes and elevated road facilities. 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. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City of Richmond, within whose extraterritorial jurisdiction (“ETJ”) the District lies, the District is required to observe certain requirements of the City of Richmond which: limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, roads, park and recreational facilities, and fire-fighting facilities; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Richmond 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 City of Richmond 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.

**Description and Location**

The District contains approximately 520 acres of land and is located approximately 30 miles southwest of the central downtown business district of the City of Houston and lies within the ETJ of the City of Richmond. The District also lies within the boundaries of the Lamar Consolidated Independent School District. The District is bounded by Farm-to-Market 762 on its west boundary and US Highway 59 to the southeast, which provide major access to the cities of Sugar Land and Houston for the residents in the District. See “AERIAL PHOTOGRAPH.”

**Land Use**

The District currently includes approximately 458 developed acres of single-family residential development (1,535 single-family residential lots), and approximately 62 undevelopable acres (drainage and pipeline easements, street rights-of-way, open spaces, lake reserves, recreation and levee and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District:

| <u>Single-Family Residential</u> | Approximate<br><u>Acres</u> | <u>Lots</u> |
|----------------------------------|-----------------------------|-------------|
| Del Webb Sweetgrass:             |                             |             |
| Section One-A, B, & C.....       | 37                          | 77          |
| Section Two .....                | 52                          | 165         |
| Section Three .....              | 29                          | 34          |
| Section Four.....                | 13                          | 33          |
| Section Five-A & B.....          | 22                          | 113         |
| Section Six .....                | 7                           | 20          |
| Section Seven.....               | 24                          | 68          |
| Section Eight.....               | 11                          | 32          |
| Section Nine-A.....              | 19                          | 82          |
| Section Nine-B.....              | 18                          | 82          |
| Section Ten .....                | 35                          | 87          |
| Section Eleven.....              | 23                          | 120         |
| Section Twelve-A.....            | 13                          | 52          |
| Section Twelve-B.....            | 12                          | 51          |
| Section Thirteen-A .....         | 12                          | 51          |
| Section Thirteen-B .....         | 21                          | 121         |
| Section Fourteen .....           | 12                          | 49          |
| Section Fifteen .....            | 15                          | 50          |
| Section Sixteen-A.....           | 9                           | 33          |
| Section Sixteen-B.....           | 19                          | 60          |
| Section Seventeen .....          | 17                          | 64          |
| Section Eighteen-A .....         | 25                          | 31          |
| Section Eighteen-B.....          | <u>13</u>                   | <u>60</u>   |
| Subtotal .....                   | 458                         | 1,535       |
| <i>Non-Developable (a)</i> ..... | <u>62</u>                   | <u>---</u>  |
| Totals.....                      | 520                         | 1,535       |

(a) Includes public rights-of-way, detention, open spaces, drainage and pipeline easements, lake reserves and recreation, levee and utility sites.

**Status of Development**

The District is being developed as Del Webb Sweetgrass, an active adult/retirement community with home ownership restricted to purchasers age 55 or older with additional restrictions on children living in the home. As of September 30, 2021, 1,535 single-family residential lots on approximately 458 acres had been completed, 1,500 homes were completed, 35 homes were under construction or in Pulte Home’s name and no vacant developed lots were available for home construction. The 2020 average homestead value in the District is \$269,684.

## THE DEVELOPER

### Role of a Developer

In general, the activities of a landowner or developer include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; arrange for the construction of parks and recreational facilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful.

Neither the Developer nor any property owner is legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer or any property owner, or to pay the Bonds or other obligations of the District, and the inclusion of the description of the Developer herein should not be construed as an implication to that effect.

### CW Richmond LP & Pulte Homes of Texas, LP

The developer of all of the land within the District is CW Richmond LP (the "Developer"), a Texas limited partnership with Caldwell Companies, Houston, Texas as the General Partner. The Developer has completed the construction of 1,535 single-family residential lots in the District and all development activity in the District and does not own any developable land in the District.

The Developer has sold all of the lots in the District to Pulte Homes of Texas, L.P. ("Pulte Homes"), a Texas limited partnership, pursuant to a lot sales agreement. The District has been developed as a Del Webb, trademark community of Pulte Homes, Inc. ("Pulte"). Pulte Homes is wholly owned by Pulte, a Michigan corporation whose common stock is listed on the New York Stock Exchange.

## MANAGEMENT OF THE DISTRICT

### Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. All of the Board members reside within the District. Directors have staggered four-year terms. The current members and officers of the Board, along with their titles and terms, are listed as follows:

| <u>Name</u>      | <u>District Board Title</u> | <u>Term Expires</u> |
|------------------|-----------------------------|---------------------|
| David Vrshek     | President                   | May 2024            |
| Larry Junek      | Vice President              | May 2022            |
| Brenda L. Farley | Secretary                   | May 2024            |
| Sam Mayson       | Assistant Secretary         | May 2024            |
| Donna Coleman    | Assistant Vice President    | May 2022            |

### District Consultants

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

*Bond Counsel/Attorney:* The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

*Auditor:* The District's audited financial statement for the fiscal year ending July 31, 2020, was prepared by McGrath & Co., PLLC, Certified Public Accountants. See APPENDIX A.

*Engineer:* The District engineer is Costello, Inc.

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

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

*Bookkeeper:* The District has contracted with F. Matuska, Inc. (the "Bookkeeper") for bookkeeping services.

## THE SYSTEM

### Water Supply, Wastewater Treatment and Storm Drainage

*Water Supply:* Water supply for development in the District is provided by the City of Richmond pursuant to an agreement with the District, within whose ETJ the District lies. The District and the City of Richmond entered into a water supply contract whereby the City of Richmond will supply water in quantities adequate to provide adequate water pressure and water storage for the District. In consideration of such water supply, the District pays the City of Richmond a one-time connection charge for each lot or connection at such time as subdivisions or other tracts are platted. Connection fees to provide service to all of the residential sections in the District have been paid.

*Wastewater Treatment:* Wastewater treatment for the development in the District is provided by the City of Richmond pursuant to an agreement with the District. Pursuant to such agreement, the City of Richmond provides wastewater treatment in amounts adequate to service the District and the District pays a connection charge to the City of Richmond for each lot or connection at such time subdivisions or other areas are platted. Connection fees to provide service to all of the residential sections in the District have been paid.

*Water Distribution, Wastewater Collection and Storm Drainage:* Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,535 single-family residential lots, which constitutes all of the development in the District.

### Utility Agreement between the City of Richmond and the District

All land in the District is located within the ETJ of the City of Richmond. On March 27, 2007, the District entered into a Water and Wastewater Services Agreement (the "Agreement") with the City of Richmond, as subsequently amended. Under the terms of the Agreement, the District will construct water distribution lines and sanitary sewer collection lines for the District. Upon completion of these facilities, the City of Richmond agreed to incorporate the facilities into the City of Richmond's system and to provide water and wastewater services as reasonably required in conjunction with the development of the District.

All charges, tap fees, and rates charged to customers in the District shall be the same as similarly classified homebuilders, commercial developers and customers within the City of Richmond as a whole. All revenues from customers in the District shall be the property of the City of Richmond. However, the District can ask the City of Richmond to impose an additional fee, as determined by the District, to pay for operations and administrative fees of the District. In the past, the District asked the City of Richmond to add the additional monthly fee of \$15 per connection. As of January 2015, the District eliminated the additional monthly fee and now receives no revenue from water and sewer revenues.

The City of Richmond agrees to provide sufficient water and wastewater capacity to serve the entire District. As set forth in the Agreement, a connection fee will be payable to the City of Richmond at the time the Developer initially transfers the lot to the builder. The City of Richmond connection fee is used to secure capacity in the City of Richmond's water and wastewater facilities.

The City of Richmond is responsible for the operation, maintenance, repair and rehabilitation of the District facilities. However, the District is responsible for all “major repairs” to the District facilities. A major repair is defined as any necessary repair or improvement of the District facilities projected to exceed \$15,000.

*Reclaimed/Effluent Water:* The District received a letter on May 12, 2021, stating the City will begin charging the District on October 1, 2021, \$1.60 per 1,000 gallons of the District’s use of reclaimed water. The District and the City of Richmond, Texas and CW Richmond, LP entered into a Development and Water Supply and Wastewater Services Contract dated March 27, 2007 (the “Development Agreement”). The Development Agreement expressly states the “District reserves the right to receive up to the amount of estimated effluent generated by the District, not exceeded 70,000 gpd of treated wastewater effluent free of charge from the Existing City STP for irrigation and water supply for lakes within the District.” The City and District will need to address the difference between the Development Agreement and the City’s position on charging for effluent before October 1, 2021.

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

The District obtains its water supply from the City of Richmond. The City of Richmond’s authority to pump groundwater is subject to an annual permit issued by the Fort Bend Subsidence District (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 City of Richmond and the District.

The Subsidence District’s regulations require the City of Richmond, individually or collectively with other water users, to have prepared a groundwater reduction plan (“GRP”) and obtained certification of the GRP from the Subsidence District by the applicable water well permit expiration date in the year 2010. The City of Richmond’s GRP was submitted timely and certified by the Subsidence District. The Subsidence District’s regulations further require the City of Richmond individually or collectively with other water users to (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the GRP, beginning October 2015; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the GRP, beginning October 2025.

If the City of Richmond fails to comply with the above Subsidence District regulations, the City of Richmond 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 40% of the total annual water demand. If the District failed to comply with surface water conversion requirements mandated by the City of Richmond, the District would be subject to monetary or other penalties imposed by the City of Richmond.

The City of Richmond completed construction of Phase I of a two million gallon per day (“MGD”) regional surface water treatment plant, which became operational March 15, 2018. The plant enables the City of Richmond to meet the Subsidence District regulations. The City of Richmond used groundwater credits to meet conversion requirements prior to the plant being completed. Under the Groundwater Reduction Plan Participation Agreement between the City of Richmond and the participants, each participant will be given the option to pay its pro rata share of any bonds sold to finance the plant.

## **THE ROADS**

The District is primarily served by two collector roads, Del Webb Boulevard and Sweetgrass Circle, which provide direct access to FM 762 for residents of the District. The internal subdivision streets direct residents to Del Webb Boulevard. Both Del Webb Boulevard and Sweetgrass Circle are designated major collector roads on the Fort Bend County major thoroughfares plan. Del Webb Boulevard consists of dual 25-foot lanes from FM 762 to Rabbs Bayou and a 38-Foot section east of Rabbs Bayou within an 80-foot wide public right-of-way. Sweetgrass Circle consists of 2 lanes within a 60-foot wide public right-of-way. Sweetgrass Drive ties into Veranda Trails Pkwy, which connects Williams Way Boulevard to complete the County’s thoroughfare plan through the Del Webb Sweetgrass community. Fort Bend County is responsible for ongoing maintenance of the public roads in the District, except for the decorative additions inside the road. The District is responsible for the replacement of anything above a standard Fort Bend County thoroughfare.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

|  |                     |     |
|--|---------------------|-----|
| 2020 Certified Taxable Assessed Valuation.....                 | \$363,803,155       | (a) |
| 2021 Preliminary Taxable Assessed Valuation .....              | \$396,655,409       | (b) |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....   | \$400,556,816       | (c) |
| Gross Direct Debt Outstanding .....                            | \$40,390,000        | (d) |
| Estimated Overlapping Debt .....                               | <u>51,788,035</u>   | (e) |
| Gross Direct Debt and Estimated Overlapping Debt.....          | <u>\$92,178,035</u> |     |
| Ratios of Gross Direct Debt to:                                |                     |     |
| 2021 Preliminary Taxable Assessed Valuation .....              | 10.18%              |     |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....   | 10.08%              |     |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: |                     |     |
| 2021 Preliminary Taxable Assessed Valuation.....               | 23.24%              |     |
| Estimated Taxable Assessed Valuation as of May 1, 2021 .....   | 23.01%              |     |
| Funds Available for Debt Service as of May 11, 2021:           |                     |     |
| Road Debt Service Funds .....                                  | \$ 688,120          |     |
| Water, Sewer, Drainage and Park Debt Service Funds .....       | <u>2,186,769</u>    |     |
| Total Funds Available for Debt Service.....                    | <u>\$2,874,889</u>  | (f) |
| Operating Funds Available as of May 11, 2021 .....             | \$830,183           |     |
| Funds Available for Capital Projects as of May 11, 2021:       |                     |     |
| Road Capital Projects Funds .....                              | \$ 9,134            |     |
| Water, Sewer, Drainage and Park Capital Projects .....         | <u>132,945</u>      |     |
| Total Funds Available for Capital Projects .....               | <u>\$142,079</u>    |     |

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to property owner protest and Appraisal District review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the summer of 2021. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of improvements on May 1, 2021. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (d) Includes the Bonds and the Outstanding Bonds. See "Outstanding Bonds" herein.
- (e) See "Estimated Overlapping Debt" and "—Overlapping Taxes" herein.
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on parity, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for water, sewer, drainage and park facilities (the "Water, Sewer and Drainage and Park Bonds") and a pro rata portion will be allocated to bonds sold for road facilities (the "Road Bonds"). See "Outstanding Bonds" herein. The Road Debt Service Fund is not pledged to the Water, Sewer and Drainage and Park Bonds or the Bonds nor will funds deposited into the Water, Sewer and Drainage and Park Debt Service Fund be pledged to the Road Bonds.

### Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. 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 portfolio.

**Outstanding Bonds**

The District has previously issued \$32,030,000 principal amount of unlimited tax bonds in seven series, \$10,300,000 principal amount of unlimited tax road bonds in three series, and \$5,535,000 principal amount of unlimited tax refunding bonds in two series, \$36,385,000 of which collectively remains outstanding (the “Outstanding Bonds”) as of the date hereof.

| <u>Series</u> | <u>Original<br/>Principal<br/>Amount</u> | <u>Outstanding<br/>Bonds</u> |
|---------------|--|------------------------------|
| 2012          | \$ 3,000,000                             | \$ 215,000                   |
| 2013          | 3,405,000                                | -                            |
| 2014          | 3,700,000                                | 2,770,000                    |
| 2014 (a)      | 3,500,000                                | 3,080,000                    |
| 2015          | 6,065,000                                | 4,840,000                    |
| 2016 (a)      | 4,200,000                                | 3,520,000                    |
| 2016          | 4,850,000                                | 4,095,000                    |
| 2017 (a)      | 2,600,000                                | 2,285,000                    |
| 2017          | 5,800,000                                | 5,200,000                    |
| 2019          | 5,210,000                                | 4,990,000                    |
| 2019A (b)     | 3,030,000                                | 2,895,000                    |
| 2020 (b)      | 2,505,000                                | 2,495,000                    |
| Total         | \$ 47,865,000                            | \$ 36,385,000                |

- (a) Unlimited tax road bonds.
- (b) Unlimited tax refunding bonds.



**Debt Service Requirements**

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Debt” in this section) and the Bonds.

| Year         | Outstanding Bonds<br>Debt Service | Plus: Debt Service on the Bonds |                        |                        | Total<br>Debt Service   |
|--------------|-----------------------------------|---------------------------------|------------------------|------------------------|-------------------------|
|              |                                   | Principal                       | Interest               | Total                  |                         |
| 2021         | \$ 2,066,968.75 (a)               | \$ -                            | \$ 21,404.69           | \$ 21,404.69           | \$ 2,088,373.44         |
| 2022         | 2,747,850.00                      | 120,000                         | 83,818.75              | 203,818.75             | 2,951,668.75            |
| 2023         | 2,711,475.00                      | 125,000                         | 80,143.75              | 205,143.75             | 2,916,618.75            |
| 2024         | 2,669,693.75                      | 125,000                         | 76,393.75              | 201,393.75             | 2,871,087.50            |
| 2025         | 2,637,312.50                      | 130,000                         | 72,568.75              | 202,568.75             | 2,839,881.25            |
| 2026         | 2,625,790.00                      | 135,000                         | 68,593.75              | 203,593.75             | 2,829,383.75            |
| 2027         | 2,594,322.50                      | 135,000                         | 65,893.75              | 200,893.75             | 2,795,216.25            |
| 2028         | 2,554,741.25                      | 140,000                         | 64,343.75              | 204,343.75             | 2,759,085.00            |
| 2029         | 2,513,772.50                      | 145,000                         | 62,562.50              | 207,562.50             | 2,721,335.00            |
| 2030         | 2,476,116.25                      | 150,000                         | 60,156.25              | 210,156.25             | 2,686,272.50            |
| 2031         | 2,437,047.50                      | 155,000                         | 57,106.25              | 212,106.25             | 2,649,153.75            |
| 2032         | 2,396,410.00                      | 160,000                         | 53,956.25              | 213,956.25             | 2,610,366.25            |
| 2033         | 2,354,670.00                      | 160,000                         | 50,756.25              | 210,756.25             | 2,565,426.25            |
| 2034         | 2,316,222.50                      | 165,000                         | 47,506.25              | 212,506.25             | 2,528,728.75            |
| 2035         | 2,266,097.50                      | 170,000                         | 44,156.25              | 214,156.25             | 2,480,253.75            |
| 2036         | 2,230,022.50                      | 175,000                         | 40,706.25              | 215,706.25             | 2,445,728.75            |
| 2037         | 2,187,167.50                      | 180,000                         | 37,156.25              | 217,156.25             | 2,404,323.75            |
| 2038         | 1,965,255.00                      | 185,000                         | 33,506.25              | 218,506.25             | 2,183,761.25            |
| 2039         | 1,547,450.00                      | 190,000                         | 29,756.25              | 219,756.25             | 1,767,206.25            |
| 2040         | 1,508,815.00                      | 195,000                         | 25,784.38              | 220,784.38             | 1,729,599.38            |
| 2041         | 989,568.75                        | 200,000                         | 21,587.50              | 221,587.50             | 1,211,156.25            |
| 2042         | 793,081.25                        | 205,000                         | 17,156.25              | 222,156.25             | 1,015,237.50            |
| 2043         | 481,543.75                        | 215,000                         | 12,431.25              | 227,431.25             | 708,975.00              |
| 2044         | -                                 | 220,000                         | 7,537.50               | 227,537.50             | 227,537.50              |
| 2045         | -                                 | 225,000                         | 2,531.25               | 227,531.25             | 227,531.25              |
| <b>Total</b> | <b>\$ 49,071,393.75</b>           | <b>\$ 4,005,000</b>             | <b>\$ 1,137,514.06</b> | <b>\$ 5,142,514.06</b> | <b>\$ 54,213,907.81</b> |

(a) Excludes the District’s March 1, 2021, debt service payment in the amount of \$719,043.75.

|  |             |
|--|-------------|
| Average Annual Debt Service Requirements (2022-2045) | \$2,171,897 |
| Maximum Annual Debt Service Requirement (2022)       | \$2,951,669 |

**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. 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.

| <u>Taxing<br/>Jurisdiction</u>                      | <u>Outstanding<br/>Bonds</u> | <u>As<br/>of</u> | <u>Percent</u> | <u>Overlapping<br/>Amount</u> |
|---|------------------------------|------------------|----------------|-------------------------------|
| Fort Bend County .....                              | \$ 664,849,310               | 2/28/2021        | 0.48%          | \$ 3,191,277                  |
| Lamar Consolidated Independent School District..... | 1,364,370,000                | 2/28/2021        | 2.16%          | 29,470,392                    |
| Fort Bend County LID No. 6.....                     | 36,355,000                   | 2/28/2021        | 52.61%         | <u>19,126,366</u>             |
| Total Estimated Overlapping Debt.....               |                              |                  |                | \$ 51,788,035                 |
| The District's Total Direct Debt (a) .....          |                              |                  |                | <u>40,390,000</u>             |
| Total Direct and Estimated Overlapping Debt .....   |                              |                  |                | \$92,178,035                  |

Direct and Estimated Overlapping Debt as a Percentage of:

|   |        |
|---|--------|
| 2021 Preliminary Taxable Assessed Valuation of \$396,655,409 .....            | 23.24% |
| Estimated Taxable Assessed Valuation as of May 1, 2021 of \$400,556,816 ..... | 23.01% |

(a) The Bonds and the Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2020 tax year by all overlapping taxing jurisdictions and the 2020 tax rate levied by the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

|  | <u>Tax Rate<br/>Per \$100 of Taxable<br/>Assessed Valuation</u> |
|--|---|
| Fort Bend County (includes Fort Bend County Drainage District) ..... | \$0.453207  |
| Lamar Consolidated Independent School District.....                  | 1.269100  |
| Fort Bend County LID No. 6.....                                      | <u>0.500000</u>   |
| Total Overlapping Tax Rate .....                                     | \$2.222307  |
| The District (a) .....   | <u>0.815000</u>   |
| Total Tax Rate.....  | \$3.037307  |

(a) See "TAX DATA—Debt Service Tax," "—Maintenance Tax" and "—Historical Tax Rate Distribution."

## **District Operating Fund**

The following statement sets forth in condensed form, the General Operating Fund, as shown in the District's audited financial statements for fiscal years ending July 31, 2017 through July 31, 2020, and an unaudited summary for the fiscal year ended April 30, 2021, provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. See "APPENDIX A" for a copy of the District's audited financial statement.

|                               | Fiscal Year Ended July 31,       |                    |                   |                   |                   |
|-------------------------------|----------------------------------|--------------------|-------------------|-------------------|-------------------|
|                               | <u>7/31/20 to<br/>4/30/21(a)</u> | <u>2020</u>        | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       |
| <b>Revenues:</b>              |                                  |                    |                   |                   |                   |
| Property Taxes                | \$ 125,425                       | \$ 97,496          | \$ 119,598        | \$ 128,952        | \$ 204,757        |
| Mowing Reimbursement          | 31,042                           | 23,621             | 23,621            | 23,621            | 23,621            |
| Effluent Water Usage (b)      | 36,000                           | 48,000             | 48,000            | 48,000            | 48,000            |
| Investment Revenues           | 505                              | 9,241              | 15,821            | 8,540             | 2,017             |
| Total Revenue                 | <u>\$ 192,972</u>                | <u>\$ 178,358</u>  | <u>\$ 207,040</u> | <u>\$ 209,113</u> | <u>\$ 278,395</u> |
| <b>Expenditures:</b>          |                                  |                    |                   |                   |                   |
| Professional Fees             | \$ 74,839                        | \$ 169,938         | \$ 122,838        | \$ 121,588        | \$ 152,770        |
| Contracted Services           | 8,160                            | 10,980             | 10,950            | 10,980            | 11,070            |
| Repairs & Maintenance         | 4,400                            | 6,755              | 23,862            | 29,652            | 26,262            |
| Administrative                | 13,964                           | 17,661             | 18,246            | 17,188            | 17,590            |
| Other                         | -                                | -                  | 635               | 5,432             | 635               |
| Total Expenditures            | <u>\$ 101,363</u>                | <u>\$ 205,334</u>  | <u>\$ 176,531</u> | <u>\$ 184,840</u> | <u>\$ 208,327</u> |
| NET REVENUES                  | <u>\$ 91,609</u>                 | <u>\$ (26,976)</u> | <u>\$ 30,509</u>  | <u>\$ 24,273</u>  | <u>\$ 70,068</u>  |
| <b>General Operating Fund</b> |                                  |                    |                   |                   |                   |
| Balance (Beginning of Year)   | \$ 736,070                       | \$ 763,046         | \$ 732,537        | \$ 708,264        | \$ 638,196        |
| General Operating Fund        |                                  |                    |                   |                   |                   |
| Balance (End of Year)         | \$ 827,679                       | \$ 736,070         | \$ 763,046        | \$ 732,537        | \$ 708,264        |

(a) Unaudited. Provided by the Bookkeeper.

(b) See "Utility Agreement between the City of Richmond and the District—Reclaimed/Effluent Water."

## 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 or the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “TAXING PROCEDURES,” “Historical Tax Rate Distribution” below, and “INVESTMENT CONSIDERATIONS— Possible Impact on District Tax Rates.”

### Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 4, 2008, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

### Historical Tax Rate Distribution

|                         | 2020         | 2019         | 2018         | 2017         | 2016         |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Debt Service Tax        | \$ 0.780 (a) | \$0.830      | \$0.840      | \$0.860      | \$0.840      |
| Maintenance Tax         | <u>0.035</u> | <u>0.030</u> | <u>0.040</u> | <u>0.050</u> | <u>0.090</u> |
| Total District Tax Rate | \$ 0.815     | \$0.860      | \$0.880      | \$0.910      | \$0.930      |

(a) Of the total debt service tax levy for 2020, \$0.18 per \$100 of assessed valuation is allocated to road bond debt service and \$0.60 per \$100 of assessed valuation is allocated to water, sewer and drainage and park debt service.

### Exemptions

For tax year 2021, the District granted a \$10,000 exemption to residential homesteads of person disabled or 65 years of age or older. In 2021, 1,101 residences qualified for exemption.

### 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.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data. See “Tax Roll Information” below.

|      | Certified<br>Taxable      | Tax<br>Rate | Total (b)<br>Tax Levy | Total Collections<br>As of 4/30/2021 (c) |         |
|------|---------------------------|-------------|-----------------------|--|---------|
|      | Assessed<br>Valuation (a) |             |                       | Amount                                   | Percent |
| 2016 | \$ 224,035,526            | \$ 0.930    | \$2,083,530           | \$ 2,074,155                             | 99.55%  |
| 2017 | 260,512,661               | 0.910       | 2,370,665             | 2,360,234                                | 99.56%  |
| 2018 | 299,635,080               | 0.880       | 2,636,789             | 2,622,023                                | 99.44%  |
| 2019 | 326,629,777               | 0.860       | 2,809,016             | 2,788,229                                | 99.26%  |
| 2020 | 363,803,155               | 0.815       | 2,964,996             | 2,889,092                                | 97.44%  |

(a) As certified by the Appraisal District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

(c) Unaudited.

**Tax Roll Information**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2017 through 2020 Taxable Assessed Valuations, the 2021 Preliminary Taxable Assessed Valuation (subject to property owner protest, review and downward adjustment by the Appraisal District prior to certification) and the Estimated Taxable Assessed Valuation as of May 1, 2021. See “TAXING PROCEDURES.” Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data.

| Tax Year     | Type of Property |                |                   | Gross Assessed Valuation | Deferments and Exemptions (a) | Net Assessed Valuation |
|--------------|------------------|----------------|-------------------|--------------------------|-------------------------------|------------------------|
|              | Land             | Improvements   | Personal Property |                          |                               |                        |
| 5/1/2021 (b) | \$ 70,318,638    | \$ 349,795,467 | \$ 1,628,080      | \$ 421,742,185           | \$ (21,185,369)               | 400,556,816            |
| 2021 (c)     | 70,318,638       | 345,894,060    | 1,628,080         | 417,840,778              | (21,185,369)                  | 396,655,409            |
| 2020         | 64,805,083       | 319,057,240    | 1,629,880         | 385,492,203              | (21,689,048)                  | 363,803,155            |
| 2019         | 66,664,768       | 277,169,020    | 1,353,900         | 345,187,688              | (18,557,911)                  | 326,629,777            |
| 2018         | 64,092,718       | 250,083,530    | 1,219,550         | 315,395,798              | (15,760,718)                  | 299,635,080            |
| 2017         | 61,322,458       | 211,611,790    | 1,169,330         | 274,103,578              | (13,590,917)                  | 260,512,661            |

- (a) Includes exemption amount for persons who are over 65 and/or disabled. See “TAXING PROCEDURES—Property Subject to Taxation” and “INVESTMENT CONSIDERATIONS—Nature of the District Development and Over 65/Disabled Exemptions.”
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of improvements on May 1, 2021. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No taxes will be levied upon such amount until it is certified by the Appraisal District.
- (c) Provided by the Appraisal District as a preliminary indication of the 2021 taxable value (as of January 1, 2021). Such amount is subject to property owner protest and Appraisal District review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified in the summer of 2021. See “TAXING PROCEDURES.”

**Principal Taxpayers**

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property’s taxable assessed value as a percentage of the 2020 Certified Taxable Assessed Valuation of \$363,803,155. This represents ownership as of January 1, 2020. Principal taxpayer lists related to the 2021 Preliminary Taxable Assessed Valuation of \$396,655,409 or the Estimated Taxable Assessed Valuation as of May 1, 2021, of \$400,556,816 are not currently available.

| Taxpayer                    | 2020 Certified Taxable Assessed Valuation | % of 2020 Certified Taxable Assessed Valuation |
|-----------------------------|---|--|
| Pulte Homes of Texas (a)    | \$ 5,516,330                              | 1.52%  |
| Centerpoint Energy Electric | 1,159,620                                 | 0.32%  |
| Individual                  | 790,030                                   | 0.22%  |
| Individual                  | 659,430                                   | 0.18%  |
| Individual                  | 552,900                                   | 0.15%  |
| Individual                  | 514,410                                   | 0.14%  |
| Individual                  | 473,910                                   | 0.13%  |
| Individual                  | 470,000                                   | 0.13%  |
| Individual                  | 468,970                                   | 0.13%  |
| Individual                  | 464,410                                   | 0.13%  |
| Total                       | \$ 11,070,010                             | 3.04%  |

(a) See “THE DEVELOPER.”

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation, which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2021 Preliminary Taxable Assessed Valuation of \$396,655,409, which is subject to property owner protest, review and downward adjustment by the Appraisal District prior to certification) or the Estimated Taxable Assessed Valuation as of May 1, 2021 of \$400,556,816. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the 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, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

|   |             |
|---|-------------|
| Average Annual Debt Service Requirement (2021-2045) .....                       | \$2,171,897 |
| \$0.58 Tax Rate on the 2021 Preliminary Taxable Assessed Valuation .....        | \$2,185,571 |
| \$0.58 Tax Rate on Estimated Taxable Assessed Valuation as of May 1, 2021 ..... | \$2,207,068 |
| Maximum Annual Debt Service Requirement (2022).....                             | \$2,951,669 |
| \$0.79 Tax Rate on the 2021 Preliminary Taxable Assessed Valuation .....        | \$2,976,899 |
| \$0.78 Tax Rate on Estimated Taxable Assessed Valuation as of May 1, 2021 ..... | \$2,968,126 |

No representation or suggestion is made that the 2021 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification or the Estimated Taxable Assessed Valuation as of May 1, 2021, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

**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 Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance Tax.”

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

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

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

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of

between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who 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 the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For the 2021 tax year, the District granted a 10% general residential homestead exemption.

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

### **Tax Abatement**

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

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised

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

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

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

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is



required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

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

Chapter 49 of the Texas Water Code, as amended classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed 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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Richmond, Fort Bend County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS— Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" herein.

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

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

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 volatility attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the 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 the pandemic 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.

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

The greater Houston area is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the 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 Engineer, the District's water and sewer system serving the District, which is owned and operated by the City of Richmond, Texas, did not sustain any material damage and there was no interruption of water and sewer service during the event. Further, the District was not notified of any homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey.

If a future weather event significantly damaged all or part of the improvements within the 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.

### **Flood Protection**

The Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Maps dated April 2, 2014, indicate that all of the property within the District lies outside the 100-year flood plain of the Brazos River. The District assisted in constructing a perimeter levee system to remove the District from the floodplain.

The levee and drainage system serving the District has been designed and constructed to all current standards. See "FLOOD PROTECTION." However, the levee system does not protect against all flooding scenarios and flooding could occur in the District as a result of 1) an overtopping of the levee, or 2) a failure (or breach) of the levee system, or 3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three feet above the level of a 100-year event and current Fort Bend County regulations require an additional 1 foot of height above FEMA minimum requirements.

### **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.

## **Nature of the District Development and Over 65/Disabled Exemption**

The District is being developed as Del Webb Sweetgrass, an active adult/retirement community with home ownership restricted to purchasers age 55 or older. Pursuant to Texas law, the District may by its own action, exempt \$3,000 or more of the residential homestead value of persons sixty-five (65) years or older or disabled. Such exemption is to be considered annually, and once authorized may be repealed, decreased or increased by the Board or by a process of petition and referendum. The District may be required to offer such exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard such exemption if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Any tax exemption reduces the taxable value and a reduction in taxable value would likely result in an increase in the tax rate of the District. Granting such an exemption could affect the District's ability to issue bonds in the future. The District grants a \$10,000 over 65/disabled exemption. See "TAX DATA—Tax Exemptions."

Additionally, pursuant to Texas law, the owner of residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) disabled, or (iii) effective September 1, 2017, as a disabled veteran under Texas law, is entitled by law to pay current taxes on such residential homestead in installments or to defer the payment of the taxes without penalty during the time of ownership if the resident files an affidavit with the Appraisal District. Such deferral prohibits the filing of a lawsuit to collect delinquent taxes until such time as the taxpayer no longer owns and occupies the property as a residence homestead. If a lawsuit to collect taxes is filed prior to the filing of such an affidavit, the taxpayer may obtain an abatement of such suit until such time as the taxpayer no longer owns and occupies the property as a resident homestead. Taxes and interest continue to accrue against the property and the lien securing such taxes and interest remains in existence during the deferral or abatement period. Because a significant portion of the District has been developed as a retirement community and a substantial proportion of the property owners currently within the District could be over 65 years of age or older or disabled, it is possible that deferrals and payment installments could significantly delay the collection of property taxes pledged for the payment of principal and interest on the Bonds. A significant amount of deferments and split payments could require a tax rate increase to compensate for the loss of timely tax revenue needed for the payment of debt service annually, which could decrease the value of residences in the District and affect the District's ability to issue bonds in the future. In addition, deferred taxes owed to all taxing jurisdictions may accumulate to amounts greater than the value of the residence. See "TAXING PROCEDURES—Property Subject to Taxation" and "—Levy and Collection of Taxes."

## **Possible Impact on District Tax Rates**

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 owners of property within the District to pay their taxes. The 2021 Preliminary Taxable Assessed Valuation, which is subject to property owner protest, review and downward adjustment by the Appraisal District prior to certification is \$396,655,409. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,951,669 (2022), and the average annual debt service requirement will be \$2,171,897 (2022-2045 inclusive). Assuming no increase or decrease from the 2021 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.79 and \$0.58 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of May 1, 2021, is \$400,556,816, which reduces the above calculation related to maximum annual debt service to \$0.78 per \$100 of taxable assessed valuation.

No representation or suggestion is made that the 2021 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification or that the estimated values of land and improvements provided by the Appraisal District as of May 1, 2021, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment.

## **Overlapping Debt and Taxes**

All of the land within the District is currently subject to taxation by LID 6 along with the other overlapping taxing jurisdictions described herein. LID 6 levied a 2020 tax rate of \$0.50 per \$100 of taxable assessed valuation (\$0.375 for debt service and \$0.125 for maintenance and operations). Taxes levied by LID 6 are in addition to taxes levied by the District. As of the date hereof, LID 6 had \$36,355,000 principal amount of unlimited tax bonds currently outstanding and LID 6 has authorized the preparation of a bond application to the TCEQ requesting approval to sell approximate amount of \$7,000,000 principal amount of levee improvement bond. Fort Bend County Municipal Utility District No. 207, Fort Bend County Municipal Utility District No. 215, and Williams Ranch Municipal Utility District are also located within the boundaries of LID 6. The District cannot represent whether any of the development planned or occurring in LID 6 will be successful or whether the appraised valuation of the land located within LID 6 will justify payment of the taxes levied by LID 6, as well as District taxes, by property owners. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

The District intends that its tax rate, in combination with LID 6, will not exceed \$1.50 per \$100 of taxable assessed valuation. However, the aggregate tax rate that may be required to service debt on any bonds issued by the District and LID 6 and to pay operating costs is subject to numerous uncertainties such as the growth of taxable values within their respective boundaries, regulatory approvals, construction costs, interest rates and economic conditions. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates of competing projects in the Harris/Fort Bend County region. To the extent that such composite tax rates are not competitive with competing developments, the growth or maintenance of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. A combined tax rate of \$1.50 per \$100 of taxable assessed valuation is higher than the tax levy of many utility districts in the Fort Bend County and Harris County region, although such a combined levy is within the range of levies imposed for similar purposes by certain utility districts in the Fort Bend County and Harris County regions in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Fort Bend County limit the projected “combined total tax rate” attributable to an entity levying a tax for water, wastewater and drainage to \$1.50 per \$100 of assessed valuation. In the case of the District, the total “combined tax rate” under current TCEQ rules includes the tax rate of the District in combination with LID 6. The current “combined tax rate” of the District specifically attributable to water, sewer, drainage and recreational facilities is consistent with the rules of the TCEQ. If the total “combined tax rate” of the District should ever exceed \$1.50 per \$100 of taxable assessed valuation, the District and LID 6 could be prohibited under rules of the TCEQ from selling additional bonds. See “Possible Impact on District Tax Rates” above and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes.”

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

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **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 \$137,535,000 principal amount of unlimited tax bonds for the purpose of purchasing water, sewer and drainage and detention facilities, \$29,160,000 principal amount of unlimited tax bonds for park and recreational facilities, \$20,825,000 principal amount of unlimited tax bonds for road facilities, and \$680,000 principal amount of unlimited tax bonds for fire-fighting facilities have been authorized by the District's voters. After the issuance of the Bonds, the District will have \$25,155,000 principal amount of the unlimited tax bonds for park and recreational facilities and refunding authorized but unissued. In addition, \$105,150,000 principal amount of the unlimited tax bonds for water, sewer and drainage facilities, all of the unlimited tax bonds authorized for fire-fighting, and \$10,525,000 principal amount of unlimited tax bonds for road facilities remains authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. 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.

To date, the Developer has advanced certain funds for parks and recreational facilities for which it has not been reimbursed. After reimbursements are made with Bond proceeds, the District will have fulfilled its reimbursement obligations to the Developer for water, sewer, drainage and park facilities. 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 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 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."

### **Environmental Regulations**

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ 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) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below: Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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

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

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

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

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

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

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

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

### **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.



## **Changes in Tax Legislation**

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

## **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.”

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

The Underwriter 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 and “A2” (stable outlook) by Moody’s. See “MUNICIPAL BOND INSURANCE.”

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond 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.

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have assigned municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, 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. Moody’s has also assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

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

## MUNICIPAL BOND INSURANCE

### **Bond Insurance Policy**

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

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 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 \$2,121 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 UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), 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 AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Merger of MAC into AGM*

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

#### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 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."

## LEGAL MATTERS

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that under existing law interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

### **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense

## PREPARATION OF OFFICIAL STATEMENT

### Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the 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, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### Consultants

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Assessments of the Southwest, Inc., and is included herein in reliance upon the authority as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Costello, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Auditor:* The District's audited financial statements for the year ended July 31, 2020, was prepared by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's July 31, 2020, financial statements.

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

### Updating the Official Statement

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

## **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statement of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2021. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit becomes available.

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

### **Event Notices**

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other



similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](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; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners 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 APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

/s/ David Vrshek  
President, Board of Directors

ATTEST:

/s/ Brenda L. Farley  
Secretary, Board of Directors

**AERIAL PHOTOGRAPH**  
**(As of November 2020)**

**FORT BEND COUNTY  
MUNICIPAL UTILITY  
DISTRICT NO. 187**

FM 762



SOUTHWEST FWY.



**PHOTOGRAPHS OF THE DISTRICT  
(As of November 2020)**















**APPENDIX A**

**Financial Statement of the District for the period ended July 31, 2020**

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 187**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**July 31, 2020**



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# McGRATH & CO., PLLC

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

## Independent Auditors' Report

Board of Directors  
Fort Bend County Municipal Utility District No. 187  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 187, as of and for the year ended July 31, 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  
Fort Bend County Municipal Utility District No. 187  
Fort Bend County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 187, as of July 31, 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.

*McGuire & Co, P.C.*

Houston, Texas  
December 8, 2020

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

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***Fort Bend County Municipal Utility District No. 187  
Management's Discussion and Analysis  
July 31, 2020***

**Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 187 (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 July 31, 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.

**Fort Bend County Municipal Utility District No. 187**  
**Management's Discussion and Analysis**  
**July 31, 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 July 31, 2020, was negative \$30,783,200. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Richmond, as well as certain roads that are conveyed to Fort Bend County.

A comparative summary of the District's overall financial position, as of July 31, 2020 and 2019, is as follows:

|                                      | <u>2020</u>            | <u>2019</u>                 |
|--------------------------------------|------------------------|-----------------------------|
| Current and other assets             | \$ 4,096,742           | \$ 4,380,394                |
| Capital assets                       | <u>11,768,821</u>      | <u>12,645,948</u>           |
| Total assets                         | <u>15,865,563</u>      | <u>17,026,342</u>           |
| <br>                                 |                        |                             |
| Total deferred outflows of resources | <u>147,126</u>         | <u>                    </u> |
| <br>                                 |                        |                             |
| Current liabilities                  | 2,223,551              | 1,928,374                   |
| Long-term liabilities                | <u>44,572,338</u>      | <u>46,048,075</u>           |
| Total liabilities                    | <u>46,795,889</u>      | <u>47,976,449</u>           |
| <br>                                 |                        |                             |
| Net position                         |                        |                             |
| Net investment in capital assets     | (5,565,029)            | (5,135,262)                 |
| Restricted                           | 2,683,370              | 2,552,145                   |
| Unrestricted                         | <u>(27,901,541)</u>    | <u>(28,366,990)</u>         |
| Total net position                   | <u>\$ (30,783,200)</u> | <u>\$ (30,950,107)</u>      |

**Fort Bend County Municipal Utility District No. 187**  
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The total net position of the District increased during the current fiscal year by \$166,907. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

|  | 2020                   | 2019                   |
|--|------------------------|------------------------|
| Revenues                                 |                        |                        |
| Property taxes, penalties and interest   | \$ 2,823,906           | \$ 2,650,664           |
| Other                                    | 106,888                | 144,132                |
| Total revenues                           | <u>2,930,794</u>       | <u>2,794,796</u>       |
| Expenses                                 |                        |                        |
| Operating and administrative             | 287,339                | 304,705                |
| Debt interest and fees                   | 1,283,492              | 1,239,736              |
| Developer interest                       | 19,818                 | 293,076                |
| Debt issuance costs                      | 296,111                | 397,220                |
| Depreciation and amortization            | 877,127                | 877,127                |
| Total expenses                           | <u>2,763,887</u>       | <u>3,111,864</u>       |
| Change in net position before other item | 166,907                | (317,068)              |
| Other item                               |                        |                        |
| Change in estimate of due to developer   |                        | <u>2,890,548</u>       |
| Change in net position                   | 166,907                | 2,573,480              |
| Net position, beginning of year          | <u>(30,950,107)</u>    | <u>(33,523,587)</u>    |
| Net position, end of year                | <u>\$ (30,783,200)</u> | <u>\$ (30,950,107)</u> |

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

The District's combined fund balances, as of July 31, 2020, were \$3,979,622, which consists of \$736,070 in the General Fund, \$3,087,480 in the Debt Service Fund, and \$156,072 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of July 31, 2020 and 2019 is as follows:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Total assets   | <u>\$ 755,336</u> | <u>\$ 784,186</u> |
| Total liabilities                                    | \$ 11,587         | \$ 13,905         |
| Total deferred inflows                               | 7,679             | 7,235             |
| Total fund balance                                   | <u>736,070</u>    | <u>763,046</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 755,336</u> | <u>\$ 784,186</u> |

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

|                                    | <u>2020</u>        | <u>2019</u>      |
|------------------------------------|--------------------|------------------|
| Total revenues                     | \$ 178,358         | \$ 207,040       |
| Total expenditures                 | <u>(205,334)</u>   | <u>(176,531)</u> |
| Revenues over/(under) expenditures | <u>\$ (26,976)</u> | <u>\$ 30,509</u> |

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

*Debt Service Fund*

A comparative summary of the Debt Service Fund's financial position as of July 31, 2020 and 2019 is as follows:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Total assets   | <u>\$ 3,185,334</u> | <u>\$ 3,113,334</u> |
| Total liabilities                                    | \$ 5,047            | \$ 8,652            |
| Total deferred inflows                               | 92,807              | 71,390              |
| Total fund balance                                   | <u>3,087,480</u>    | <u>3,033,292</u>    |
| Total liabilities, deferred inflows and fund balance | <u>\$ 3,185,334</u> | <u>\$ 3,113,334</u> |

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                     | \$ 2,726,693       | \$ 2,566,248       |
| Total expenditures                 | <u>(3,009,931)</u> | <u>(2,543,192)</u> |
| Revenues over/(under) expenditures | <u>(283,238)</u>   | 23,056             |
| Other changes in fund balance      | <u>337,426</u>     | <u>89,856</u>      |
| Net change in fund balance         | <u>\$ 54,188</u>   | <u>\$ 112,912</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 prior year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected

***Fort Bend County Municipal Utility District No. 187  
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cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District issued \$5,535,000 in refunding bonds to refund \$5,180,000 of its outstanding Series 2012 and Series 2013 bonds. These refundings will save the District \$440,586 in future debt service requirements.

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2020 and 2019 is as follows:

|                                    | 2020              | 2019              |
|------------------------------------|-------------------|-------------------|
| Total assets                       | <u>\$ 156,072</u> | <u>\$ 482,874</u> |
| Total liabilities                  | \$ -              | \$ 3,280          |
| Total fund balance                 | <u>156,072</u>    | <u>479,594</u>    |
| Total liabilities and fund balance | <u>\$ 156,072</u> | <u>\$ 482,874</u> |

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

|                               | 2020                | 2019               |
|-------------------------------|---------------------|--------------------|
| Total revenues                | \$ 3,883            | \$ 7,200           |
| Total expenditures            | <u>(327,405)</u>    | <u>(4,701,766)</u> |
| Revenues under expenditures   | (323,522)           | (4,694,566)        |
| Other changes in fund balance |                     | 5,120,144          |
| Net change in fund balance    | <u>\$ (323,522)</u> | <u>\$ 425,578</u>  |

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds in the prior year.

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$26,976 less than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.



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**Capital Assets**

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

Capital assets held by the District at July 31, 2020 and 2019 are summarized as follows:

|  | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|
| Capital assets not being depreciated       |                      |                      |
| Land and improvements                      | \$ 950,760           | \$ 950,760           |
| Capital assets being depreciated/amortized |                      |                      |
| Landscaping improvements                   | 7,709,837            | 7,709,837            |
| Recreational facilities                    | 456,448              | 456,448              |
| Impact/connection fees                     | 6,571,642            | 6,571,642            |
|  | <u>14,737,927</u>    | <u>14,737,927</u>    |
| Less accumulated depreciation/amortization |                      |                      |
| Landscaping improvements                   | (2,467,704)          | (1,953,712)          |
| Recreational facilities                    | (203,805)            | (173,376)            |
| Impact/connection fees                     | (1,248,357)          | (915,651)            |
|  | <u>(3,919,866)</u>   | <u>(3,042,739)</u>   |
| Depreciable capital assets, net            | <u>10,818,061</u>    | <u>11,695,188</u>    |
| Capital assets, net                        | <u>\$ 11,768,821</u> | <u>\$ 12,645,948</u> |

**Long-Term Debt and Related Liabilities**

As of July 31, 2020, the District owes approximately \$8,560,970 to its developer for completed park and recreational facilities. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds; however, TCEQ rules limit the total amount of unlimited tax park bonds that a District can issue to 1% of the total taxable value of property in the District at the time of the issuance of the bonds.

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At July 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

| Series          | 2020          | 2019          |
|-----------------|---------------|---------------|
| 2012            | \$ 315,000    | \$ 2,735,000  |
| 2013            | 100,000       | 3,055,000     |
| 2014            | 2,925,000     | 3,080,000     |
| 2014 Road       | 3,170,000     | 3,260,000     |
| 2015            | 5,085,000     | 5,330,000     |
| 2016 Road       | 3,690,000     | 3,860,000     |
| 2016            | 4,285,000     | 4,475,000     |
| 2017 Road       | 2,390,000     | 2,495,000     |
| 2017            | 5,400,000     | 5,600,000     |
| 2019            | 5,210,000     | 5,210,000     |
| 2019A Refunding | 3,020,000     |               |
| 2020 Refunding  | 2,505,000     |               |
|                 | \$ 38,095,000 | \$ 39,100,000 |

During the current year, the District issued \$5,535,000 in unlimited tax refunding bonds. At July 31, 2020, the District had \$105,150,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and for the refunding of such bonds; \$29,160,000 for parks and recreational facilities and for the refunding of such bonds; \$10,525,000 for road improvements and for the refunding of such bonds; and \$680,000 for fire facilities and for the refunding of such bonds.

**Next Year's Budget**

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

|                                    | 2020 Actual | 2021 Budget |
|------------------------------------|-------------|-------------|
| Total revenues                     | \$ 178,358  | \$ 175,720  |
| Total expenditures                 | (205,334)   | (175,720)   |
| Revenues over/(under) expenditures | (26,976)    |             |
| Beginning fund balance             | 763,046     | 708,264     |
| Ending fund balance                | \$ 736,070  | \$ 708,264  |

*Fort Bend County Municipal Utility District No. 187  
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**Property Taxes**

The District's property tax base increased approximately \$40,182,000 for the 2020 tax year from \$326,649,777 to \$366,831,809. This increase was primarily due to increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.035 per \$100 of assessed value, a water, sewer, and drainage debt service tax rate of \$0.60 per \$100 of assessed value, and a road debt service tax rate of \$0.18 per \$100 of assessed value, for a total combined tax rate of \$0.815 per \$100. Tax rates for the 2019 tax year were \$0.03 per \$100 for maintenance and operations, \$0.625 per \$100 for water, sewer, and drainage debt service, and \$0.205 for road debt service for a combined total of \$0.86 per \$100 of assessed value.

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

As further discussed in Note 13, 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.

## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 187**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**July 31, 2020**

|   | General<br>Fund   | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total              | Adjustments           | Statement of<br>Net Position |
|---|-------------------|-------------------------|-----------------------------|--------------------|-----------------------|------------------------------|
| <b>Assets</b>   |                   |                         |                             |                    |                       |                              |
| Cash  | \$ 3,362          | \$ 56,392               | \$ -                        | \$ 59,754          | \$ -                  | \$ 59,754                    |
| Investments   | 749,365           | 3,020,224               | 156,362                     | 3,925,951          |                       | 3,925,951                    |
| Taxes receivable  | 7,679             | 92,807                  |                             | 100,486            |                       | 100,486                      |
| Due from others   | 4,646             |                         |                             | 4,646              |                       | 4,646                        |
| Internal balances   | (15,621)          | 15,911                  | (290)                       |                    |                       |                              |
| Prepaid items   | 5,905             |                         |                             | 5,905              |                       | 5,905                        |
| Capital assets not being depreciated  |                   |                         |                             |                    | 950,760               | 950,760                      |
| Capital assets, net   |                   |                         |                             |                    | 10,818,061            | 10,818,061                   |
| <b>Total Assets</b>   | <b>\$ 755,336</b> | <b>\$ 3,185,334</b>     | <b>\$ 156,072</b>           | <b>\$4,096,742</b> | <b>11,768,821</b>     | <b>15,865,563</b>            |
| <b>Deferred Outflows of Resources</b>   |                   |                         |                             |                    |                       |                              |
| Deferred difference on refunding  |                   |                         |                             |                    | 147,126               | 147,126                      |
| <b>Liabilities</b>  |                   |                         |                             |                    |                       |                              |
| Accounts payable  | \$ 11,587         | \$ -                    | \$ -                        | \$ 11,587          |                       | 11,587                       |
| Other payables  |                   | 3,311                   |                             | 3,311              |                       | 3,311                        |
| Accrued interest payable  |                   | 1,736                   |                             | 1,736              | 496,917               | 498,653                      |
| Due to developer  |                   |                         |                             |                    | 8,560,970             | 8,560,970                    |
| Long-term debt  |                   |                         |                             |                    |                       |                              |
| Due within one year   |                   |                         |                             |                    | 1,710,000             | 1,710,000                    |
| Due after one year  |                   |                         |                             |                    | 36,011,368            | 36,011,368                   |
| <b>Total Liabilities</b>  | <b>11,587</b>     | <b>5,047</b>            |                             | <b>16,634</b>      | <b>46,779,255</b>     | <b>46,795,889</b>            |
| <b>Deferred Inflows of Resources</b>  |                   |                         |                             |                    |                       |                              |
| Deferred property taxes   | 7,679             | 92,807                  |                             | 100,486            | (100,486)             |                              |
| <b>Fund Balances/Net Position</b>   |                   |                         |                             |                    |                       |                              |
| <b>Fund Balances</b>  |                   |                         |                             |                    |                       |                              |
| Nonspendable  | 5,905             |                         |                             | 5,905              | (5,905)               |                              |
| Restricted  |                   | 3,087,480               | 156,072                     | 3,243,552          | (3,243,552)           |                              |
| Unassigned  | 730,165           |                         |                             | 730,165            | (730,165)             |                              |
| <b>Total Fund Balances</b>  | <b>736,070</b>    | <b>3,087,480</b>        | <b>156,072</b>              | <b>3,979,622</b>   | <b>(3,979,622)</b>    |                              |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balances</b> | <b>\$ 755,336</b> | <b>\$ 3,185,334</b>     | <b>\$ 156,072</b>           | <b>\$4,096,742</b> |                       |                              |
| <b>Net Position</b>   |                   |                         |                             |                    |                       |                              |
| Net investment in capital assets  |                   |                         |                             |                    | (5,565,029)           | (5,565,029)                  |
| Restricted for debt service   |                   |                         |                             |                    | 2,683,370             | 2,683,370                    |
| Unrestricted  |                   |                         |                             |                    | (27,901,541)          | (27,901,541)                 |
| <b>Total Net Position</b>   |                   |                         |                             |                    | <b>\$(30,783,200)</b> | <b>\$(30,783,200)</b>        |

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 187**  
**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended July 31, 2020**

|                                       | General<br>Fund   | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total               | Adjustments            | Statement of<br>Activities |
|---------------------------------------|-------------------|-------------------------|-----------------------------|---------------------|------------------------|----------------------------|
| <b>Revenues</b>                       |                   |                         |                             |                     |                        |                            |
| Property taxes                        | \$ 97,496         | \$ 2,694,546            | \$ -                        | \$ 2,792,042        | \$ 17,174              | \$ 2,809,216               |
| Penalties and interest                |                   | 10,004                  |                             | 10,004              | 4,686                  | 14,690                     |
| Mowing reimbursement                  | 23,621            |                         |                             | 23,621              |                        | 23,621                     |
| Effluent water usage                  | 48,000            |                         |                             | 48,000              |                        | 48,000                     |
| Investment earnings                   | 9,241             | 22,143                  | 3,883                       | 35,267              |                        | 35,267                     |
| <b>Total Revenues</b>                 | <b>178,358</b>    | <b>2,726,693</b>        | <b>3,883</b>                | <b>2,908,934</b>    | <b>21,860</b>          | <b>2,930,794</b>           |
| <b>Expenditures/Expenses</b>          |                   |                         |                             |                     |                        |                            |
| Operating and administrative          |                   |                         |                             |                     |                        |                            |
| Professional fees                     | 169,938           |                         | 34,821                      | 204,759             |                        | 204,759                    |
| Contracted services                   | 10,980            | 42,210                  |                             | 53,190              |                        | 53,190                     |
| Repairs and maintenance               | 6,755             |                         |                             | 6,755               |                        | 6,755                      |
| Administrative                        | 17,661            | 2,474                   |                             | 20,135              |                        | 20,135                     |
| Other                                 |                   |                         | 2,500                       | 2,500               |                        | 2,500                      |
| Capital outlay                        |                   |                         | 269,954                     | 269,954             | (269,954)              |                            |
| Debt service                          |                   |                         |                             |                     |                        |                            |
| Principal                             |                   | 1,360,000               |                             | 1,360,000           | (1,360,000)            |                            |
| Interest and fees                     |                   | 1,309,448               |                             | 1,309,448           | (25,956)               | 1,283,492                  |
| Developer interest                    |                   |                         | 19,818                      | 19,818              |                        | 19,818                     |
| Debt issuance costs                   |                   | 295,799                 | 312                         | 296,111             |                        | 296,111                    |
| Depreciation and amortization         |                   |                         |                             |                     | 877,127                | 877,127                    |
| <b>Total Expenditures/Expenses</b>    | <b>205,334</b>    | <b>3,009,931</b>        | <b>327,405</b>              | <b>3,542,670</b>    | <b>(778,783)</b>       | <b>2,763,887</b>           |
| <b>Revenues Under Expenditures</b>    | <b>(26,976)</b>   | <b>(283,238)</b>        | <b>(323,522)</b>            | <b>(633,736)</b>    | <b>633,736</b>         |                            |
| <b>Other Financing Sources/(Uses)</b> |                   |                         |                             |                     |                        |                            |
| Proceeds from sale of refunding bonds |                   | 5,535,000               |                             | 5,535,000           | (5,535,000)            |                            |
| Payment to refunded bond escrow agent |                   | (5,197,574)             |                             | (5,197,574)         | 5,197,574              |                            |
| <b>Net Change in Fund Balances</b>    | <b>(26,976)</b>   | <b>54,188</b>           | <b>(323,522)</b>            | <b>(296,310)</b>    | <b>296,310</b>         |                            |
| <b>Change in Net Position</b>         |                   |                         |                             |                     | <b>166,907</b>         | <b>166,907</b>             |
| Fund Balance/Net Position             |                   |                         |                             |                     |                        |                            |
| Beginning of the year                 | 763,046           | 3,033,292               | 479,594                     | 4,275,932           | (35,226,039)           | (30,950,107)               |
| <b>End of the year</b>                | <b>\$ 736,070</b> | <b>\$ 3,087,480</b>     | <b>\$ 156,072</b>           | <b>\$ 3,979,622</b> | <b>\$ (34,762,822)</b> | <b>\$ (30,783,200)</b>     |

See notes to basic financial statements.

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***Fort Bend County Municipal Utility District No. 187***  
***Notes to Basic Financial Statements***  
***July 31, 2020***

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

The accounting policies of Fort Bend County Municipal Utility District No. 187 (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 Article XVI, Section 59, of the Texas Constitution and an order of the Texas Commission on Environmental Quality dated May 9, 2008, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 18, 2008, and the first bonds were issued on October 17, 2012.

The District’s primary activities include the provision of water, sewer, drainage, road, park and recreational facilities and fire protection services. As further discussed in Note 10, the District transfers water, wastewater and certain drainage facilities to the City of Richmond for operation and maintenance upon completion of construction. In addition, certain roads are conveyed to Fort Bend County upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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



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

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

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. 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, drainage, roads, and park and recreational 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, effluent water usage, and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

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

**Use of Restricted Resources**

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

**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 July 31, 2020, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

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

Depreciable capital assets, which primarily consist of impact fees paid to the City of Richmond, recreational facilities and landscaping improvements, are depreciated or amortized using the straight-line method as follows:

| Assets                   | Useful Life                |
|--------------------------|----------------------------|
| Landscaping improvements | 15 years                   |
| Recreational facilities  | 15 years                   |
| Impact/Connection fees   | Remaining life of contract |

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

**Deferred Inflows and Outflows of Financial Resources**

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

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’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.

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

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

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

**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 |  | \$ 3,979,622 |
|--|--|--------------|

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

|  |                    |            |
|--|--------------------|------------|
| Historical cost                            | \$ 15,688,687      |            |
| Less accumulated depreciation/amortization | <u>(3,919,866)</u> |            |
| Change due to capital assets               |                    | 11,768,821 |

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

147,126

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

(8,560,970)

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

|                              |                  |              |
|------------------------------|------------------|--------------|
| Bonds payable, net           | (37,721,368)     |              |
| Interest payable on bonds    | <u>(496,917)</u> |              |
| Change due to long-term debt |                  | (38,218,285) |

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

100,486

|  |  |                               |
|--|--|-------------------------------|
| Total net position - governmental activities |  | <u><u>\$ (30,783,200)</u></u> |
|--|--|-------------------------------|

**Fort Bend County Municipal Utility District No. 187**  
**Notes to Basic Financial Statements**  
**July 31, 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 \$ (296,310)

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 21,860

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

|                                   |    |           |           |
|-----------------------------------|----|-----------|-----------|
| Capital outlays                   | \$ | 269,954   |           |
| Depreciation/amortization expense |    | (877,127) |           |
|                                   |    |           | (607,173) |

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

|                                       |  |             |           |
|---------------------------------------|--|-------------|-----------|
| Issuance of long-term debt            |  | (5,535,000) |           |
| Payment to refunded bond escrow agent |  | 5,197,574   |           |
| Principal payments                    |  | 1,360,000   |           |
| Interest expense accrual              |  | 25,956      |           |
|                                       |  |             | 1,048,530 |

|   |  |    |         |
|---|--|----|---------|
| Change in net position of governmental activities |  | \$ | 166,907 |
|---|--|----|---------|

**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.

**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 July 31, 2020, the District’s investments consist of the following:

| Type    | Fund             | Carrying Value      | Rating | Weighted Average Maturity |
|---------|------------------|---------------------|--------|---------------------------|
| TexPool | General          | \$ 749,365          |        |                           |
|         | Debt Service     | 3,020,224           |        |                           |
|         | Capital Projects | 156,362             |        |                           |
|         |                  | <u>\$ 3,925,951</u> | AAAm   | 30 days                   |

**TexPool**

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

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

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

**TexPool (continued)**

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at July 31, 2020, consist of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amounts</u> | <u>Purpose</u>  |
|------------------------|-----------------------|----------------|---|
| General Fund           | Debt Service Fund     | \$ 1,422       | Maintenance tax collections not remitted as of year end   |
| General Fund           | Capital Projects Fund | 290            | Bond application costs paid by the General Fund.  |
| Debt Service Fund      | General Fund          | 17,333         | Proceeds from the sale of refunding bonds in excess of bond application fees paid by the General Fund |



**Fort Bend County Municipal Utility District No. 187**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended July 31, 2020, is as follows:

|  | Beginning<br>Balances | Adjustments         | Ending<br>Balances   |
|--|-----------------------|---------------------|----------------------|
| Capital assets not being depreciated       |                       |                     |                      |
| Land and improvements                      | \$ 950,760            | \$ -                | \$ 950,760           |
| Capital assets being depreciated/amortized |                       |                     |                      |
| Landscaping improvements                   | 7,709,837             |                     | 7,709,837            |
| Recreational facilities                    | 456,448               |                     | 456,448              |
| Impact/connection fees                     | 6,571,642             |                     | 6,571,642            |
|  | <u>14,737,927</u>     |                     | <u>14,737,927</u>    |
| Less accumulated depreciation/amortization |                       |                     |                      |
| Landscaping improvements                   | (1,953,712)           | (513,992)           | (2,467,704)          |
| Recreational facilities                    | (173,376)             | (30,429)            | (203,805)            |
| Impact/connection fees                     | (915,651)             | (332,706)           | (1,248,357)          |
|  | <u>(3,042,739)</u>    | <u>(877,127)</u>    | <u>(3,919,866)</u>   |
| Subtotal depreciable capital assets, net   | <u>11,695,188</u>     | <u>(877,127)</u>    | <u>10,818,061</u>    |
| Capital assets, net                        | <u>\$ 12,645,948</u>  | <u>\$ (877,127)</u> | <u>\$ 11,768,821</u> |

Depreciation and amortization expense for the current year was \$877,127.

**Note 6 – Due to Developer**

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

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

|                                     |                     |
|-------------------------------------|---------------------|
| Due to developer, beginning of year | \$ 8,830,924        |
| Developer reimbursements            | <u>(269,954)</u>    |
| Due to developer, end of year       | <u>\$ 8,560,970</u> |

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

**Note 6 – Due to Developer (continued)**

The entire \$8,560,970 due to developer is related to the construction of park and recreational facilities. TCEQ rules limit the total amount of unlimited tax park bonds that a District can issue to 1% of the total taxable value of property in the District at time of the issuance of the bonds.

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

|                       |                      |
|-----------------------|----------------------|
| Bonds payable         | \$ 38,095,000        |
| Unamortized discounts | <u>(373,632)</u>     |
|                       | <u>\$ 37,721,368</u> |
| <br>                  |                      |
| Due within one year   | <u>\$ 1,710,000</u>  |

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

**Note 7 – Long-Term Debt (continued)**

The District’s bonds payable at July 31, 2020, consists of unlimited tax bonds as follows:

| Series             | Amounts<br>Outstanding | Original<br>Issue | Interest<br>Rates | Maturity Date,<br>Serially,<br>Beginning/<br>Ending | Interest<br>Payment<br>Dates | Call<br>Dates        |
|--------------------|------------------------|-------------------|-------------------|---|------------------------------|----------------------|
| 2012               | \$ 315,000             | \$ 3,000,000      | 2.00% - 4.00%     | September 1,<br>2016/2023                           | September 1,<br>March 1      | September 1,<br>2020 |
| 2013               | 100,000                | 3,405,000         | 2.50% - 4.20%     | September 1,<br>2015/2021                           | September 1,<br>March 1      | September 1,<br>2019 |
| 2014               | 2,925,000              | 3,700,000         | 3.00% - 4.25%     | September 1,<br>2015/2038                           | September 1,<br>March 1      | September 1,<br>2022 |
| 2014 Road          | 3,170,000              | 3,500,000         | 2.00% - 3.80%     | September 1,<br>2016/2040                           | September 1,<br>March 1      | September 1,<br>2022 |
| 2015               | 5,085,000              | 6,065,000         | 2.00% - 4.00%     | September 1,<br>2016/2040                           | September 1,<br>March 1      | September 1,<br>2023 |
| 2016 Road          | 3,690,000              | 4,200,000         | 3.00% - 5.50%     | September 1,<br>2017/2041                           | September 1,<br>March 1      | September 1,<br>2023 |
| 2016               | 4,285,000              | 4,850,000         | 2.00% - 3.375%    | September 1,<br>2017/2042                           | September 1,<br>March 1      | September 1,<br>2024 |
| 2017 Road          | 2,390,000              | 2,600,000         | 2.50% - 5.00%     | September 1,<br>2018/2042                           | September 1,<br>March 1      | September 1,<br>2024 |
| 2017               | 5,400,000              | 5,800,000         | 2.375% - 3.50%    | September 1,<br>2018/2043                           | September 1,<br>March 1      | September 1,<br>2025 |
| 2019               | 5,210,000              | 5,210,000         | 3.00% - 5.00%     | September 1,<br>2020/2043                           | September 1,<br>March 1      | September 1,<br>2024 |
| 2019A<br>Refunding | 3,020,000              | 3,030,000         | 2.00% - 3.00%     | March 1,<br>2020/2038                               | September 1,<br>March 1      | March 1,<br>2025     |
| 2020<br>Refunding  | 2,505,000              | 2,505,000         | 2.00% - 4.00%     | March 1,<br>2021/2037                               | September 1,<br>March 1      | March 1,<br>2026     |
|                    | <u>\$ 38,095,000</u>   |                   |                   |   |                              |                      |

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Basic Financial Statements*  
*July 31, 2020*

**Note 7 – Long-Term Debt (continued)**

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

At July 31, 2020, the District had authorized but unissued bonds in the amount of \$105,150,000 for water, sewer and drainage facilities and the refunding of such bonds; \$29,160,000 for park and recreational facilities and the refunding of such bonds; \$10,525,000 for road facilities and the refunding of such bonds; and \$680,000 for fire facilities and the refunding of such bonds.

On August 2, 2019, the District issued its \$3,030,000 Series 2019A Unlimited Tax Refunding Bonds at a net effective interest rate of 2.994454% to refund \$2,855,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$248,288 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$147,635. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 1, 2019, the redemption date of the bonds. As of July 31, 2020, the bonds have all been redeemed and are no longer outstanding.

On June 11, 2020, the District issued its \$2,505,000 Series 2020 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.498470% to refund \$2,325,000 of outstanding Series 2012 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$192,298 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$108,130. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of July 31, 2020, the outstanding principal of defeased bonds is \$2,325,000.

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

|                                  |                      |
|----------------------------------|----------------------|
| Bonds payable, beginning of year | \$ 39,100,000        |
| Bonds issued                     | 5,535,000            |
| Bonds retired                    | (1,360,000)          |
| Bonds refunded                   | (5,180,000)          |
| Bonds payable, end of year       | <u>\$ 38,095,000</u> |

**Fort Bend County Municipal Utility District No. 187**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 7 – Long-Term Debt (continued)**

As of July 31, 2020, annual debt service requirements on bonds outstanding are as follows:

| Year | Principal            | Interest             | Totals               |
|------|----------------------|----------------------|----------------------|
| 2021 | \$ 1,710,000         | \$ 1,178,066         | \$ 2,888,066         |
| 2022 | 1,625,000            | 1,139,471            | 2,764,471            |
| 2023 | 1,760,000            | 1,085,901            | 2,845,901            |
| 2024 | 1,665,000            | 1,028,173            | 2,693,173            |
| 2025 | 1,685,000            | 973,278              | 2,658,278            |
| 2026 | 1,700,000            | 923,377              | 2,623,377            |
| 2027 | 1,735,000            | 877,606              | 2,612,606            |
| 2028 | 1,740,000            | 829,628              | 2,569,628            |
| 2029 | 1,760,000            | 779,358              | 2,539,358            |
| 2030 | 1,775,000            | 727,794              | 2,502,794            |
| 2031 | 1,780,000            | 674,105              | 2,454,105            |
| 2032 | 1,805,000            | 619,438              | 2,424,438            |
| 2033 | 1,815,000            | 563,105              | 2,378,105            |
| 2034 | 1,830,000            | 505,512              | 2,335,512            |
| 2035 | 1,845,000            | 446,197              | 2,291,197            |
| 2036 | 1,870,000            | 385,814              | 2,255,814            |
| 2037 | 1,885,000            | 323,664              | 2,208,664            |
| 2038 | 1,705,000            | 260,036              | 1,965,036            |
| 2039 | 1,515,000            | 199,704              | 1,714,704            |
| 2040 | 1,375,000            | 148,133              | 1,523,133            |
| 2041 | 1,385,000            | 99,192               | 1,484,192            |
| 2042 | 915,000              | 58,825               | 973,825              |
| 2043 | 750,000              | 29,813               | 779,813              |
| 2044 | 465,000              | 8,272                | 473,272              |
|      | <u>\$ 38,095,000</u> | <u>\$ 13,864,462</u> | <u>\$ 51,959,462</u> |

**Note 8 – Property Taxes**

On November 4, 2008, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for road facilities. The boundaries of the District lie entirely inside the boundaries of Fort Bend Levee Improvement District No. 6 (LID 6). The District and LID 6 have entered into an agreement which limits the District’s property tax levy to \$1.00 per \$100 of assessed value and limits LID 6’s levy to \$0.50 per \$100 of assessed value.

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

**Fort Bend County Municipal Utility District No. 187**  
**Notes to Basic Financial Statements**  
**July 31, 2020**

**Note 8 – Property Taxes (continued)**

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 \$0.86 per \$100 of assessed value, of which \$0.03 was allocated to maintenance and operations, \$0.625 was allocated to water, sewer and drainage debt service, and \$0.205 was allocated to road debt service. The resulting tax levy was \$2,809,188 on the adjusted taxable value of \$326,649,777.

Property taxes receivable, at July 31, 2020, consisted of the following:

|                                 |    |                |
|---------------------------------|----|----------------|
| Current year taxes receivable   | \$ | 31,933         |
| Prior years taxes receivable    |    | 51,301         |
|                                 |    | <u>83,234</u>  |
| Penalty and interest receivable |    | 17,252         |
| Property taxes receivable       | \$ | <u>100,486</u> |

**Note 9 – Strategic Partnership Agreement**

The District and the City of Richmond (the “City”) entered into a Strategic Partnership Agreement (the “Agreement”), under which the City may annex any commercial portion of the District at any time for the purpose of imposing and collecting the City’s sales and use tax within the commercial area. The District continues to exercise all powers and functions of a municipal utility district. The terms and conditions and under which the District will be fully annexed by the City will be defined at a later date, as an alternative to annexation without the consent of the District. In addition, the City shall not fully annex the District until ninety percent of the District’s water, sewer and drainage facilities have been constructed and its developer has been reimbursed to the maximum extent as allowed by the Texas Commission on Environmental Quality. If the District is annexed, the City will assume the District’s assets and obligations (including bonded indebtedness) and dissolve the District.

The Term of the agreement is fifty years unless otherwise terminated in accordance with the Agreement. Upon expiration of the initial term, the Agreement may be extended for successive one year periods until all land within the district has been annexed into the City.

**Note 10 – Utility Agreement with the City of Richmond**

On May 27, 2007, as amended September 1, 2009 and May 18, 2015, the District entered into a Water and Wastewater Supply Contract (the Contract) with the City of Richmond (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer water and sewer facilities to the City but will reserve a security interest in the system. The water and sewer facilities will be owned, operated and maintained by the City. The term of the agreement is thirty-years and will automatically renew for consecutive one-year terms thereafter, unless otherwise terminated.

**Note 10 – Utility Agreement with the City of Richmond (continued)**

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City. In addition, the District will be required to pay impact fees to the City for each equivalent single family connection. As set forth in the contract, the impact fees will be payable, at the current fee, to the City at the time the developer transfers the lot to the builder. For the first 200 lots conveyed to the builder, the District will pay no connection fee to the City; 50% of the fee for the next 300 lots conveyed; 100% for the next 500 lots conveyed; and 170% for the last 500 lots conveyed to the builder.

The City will be responsible for the operation, maintenance, repair and rehabilitation of the facilities. The District will be responsible for the cost of any major repairs to the facilities. A major repair is one defined as more than \$15,000.

**Note 11 – Groundwater Reduction Plan**

The Texas Legislature created the Fort Bend Subsidence District in order to regulate groundwater pumping. The Subsidence District adopted a regulatory plan that certain water well permit holders, including the District, must reduce groundwater usage, either individually or by participating in a group. To satisfy this mandate, the district and the City entered into a Groundwater Reduction Plan Participation Agreement (the “Plan”) on October 1, 2009. The Plan states that the City is responsible for producing and submitting a plan to the Subsidence District conforming to the minimum requirements. The City also agrees to pay all costs associated with the Plan with the proceeds of future bonds issued by the City. The District agrees to pay the City a surface water charge based on an amount determined by the GRP Administrator. The Plan will remain in effect as long as the regulatory plan for surface water conversion is in effect.

**Note 12 – Risk Management**

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

**Note 13 – 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.

**Note 13 – Infectious Disease Outlook (COVID-19) (continued)**

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.



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## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 187*

*Required Supplementary Information - Budgetary Comparison Schedule - General Fund*

*For the Year Ended July 31, 2020*

|   | Original and<br>Final Budget | Actual            | Variance<br>Positive<br>(Negative) |
|---|------------------------------|-------------------|------------------------------------|
| <b>Revenues</b>                           |                              |                   |                                    |
| Property taxes                            | \$ 97,020                    | \$ 97,496         | \$ 476                             |
| Mowing reimbursement                      | 23,620                       | 23,621            | 1                                  |
| Effluent water usage                      | 48,000                       | 48,000            |                                    |
| Investment earnings                       | 12,000                       | 9,241             | (2,759)                            |
| Total Revenues                            | 180,640                      | 178,358           | (2,282)                            |
| <b>Expenditures</b>                       |                              |                   |                                    |
| Operating and administrative              |                              |                   |                                    |
| Professional fees                         | 115,500                      | 169,938           | (54,438)                           |
| Contracted services                       | 13,000                       | 10,980            | 2,020                              |
| Repairs and maintenance                   | 25,170                       | 6,755             | 18,415                             |
| Administrative                            | 25,970                       | 17,661            | 8,309                              |
| Other                                     | 1,000                        |                   | 1,000                              |
| Total Expenditures                        | 180,640                      | 205,334           | (24,694)                           |
| <b>Revenues Over/(Under) Expenditures</b> |                              | (26,976)          | (26,976)                           |
| <b>Fund Balance</b>                       |                              |                   |                                    |
| Beginning of the year                     | 763,046                      | 763,046           |                                    |
| <b>End of the year</b>                    | <u>\$ 763,046</u>            | <u>\$ 736,070</u> | <u>\$ (26,976)</u>                 |

*Fort Bend County Municipal Utility District No. 187*  
*Notes to Required Supplementary Information*  
*July 31, 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.

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## **Texas Supplementary Information**

**Fort Bend County Municipal Utility District No. 187**

**TSI-1. Services and Rates**

**July 31, 2020**

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

- Retail Water       Wholesale Water       Solid Waste / Garbage       Drainage  
 Retail Wastewater       Wholesale Wastewater       Flood Control       Irrigation  
 Parks / Recreation       Fire Protection       Roads       Security  
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)  
 Other (Specify): Water and wastewater supplied by the City of Richmond

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:      | \$ 15.45       | 2,000         | N                 | \$ 2.70                                   | 2,001 to 5,000     |
|             |                |               |                   | \$ 2.96                                   | 5,001 to 10,000    |
|             |                |               |                   | \$ 3.21                                   | 10,001 to 20,000   |
|             |                |               |                   | \$ 3.47                                   | 20,001 to 50,000   |
|             |                |               |                   | \$ 3.73                                   | 50,001 to 75,000   |
|             |                |               |                   | \$ 3.99                                   | 75,001 to no limit |
| Wastewater: | \$ 22.00       | 2,000         | N                 | \$ 3.30                                   | 2,001 to no limit  |
| Surcharge:  | \$ 2.42        | N/A           | N                 | N/A                                       | 1,000 to no limit  |

District employs winter averaging for wastewater usage?  Yes       No

Total charges per 10,000 gallons usage:      Water \$ 62.55      Wastewater \$ 48.40

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"   | 1,489             | 1,487              | x 1.0       | 1,487         |
| 1"               | 4                 | 4                  | x 2.5       | 10            |
| 1.5"             |                   |                    | x 5.0       |               |
| 2"               | 7                 | 7                  | x 8.0       | 56            |
| 3"               |                   |                    | x 15.0      |               |
| 4"               |                   |                    | x 25.0      |               |
| 6"               | 1                 | 1                  | x 50.0      | 50            |
| 8"               |                   |                    | x 80.0      |               |
| 10"              |                   |                    | x 115.0     |               |
| Total Water      | 1,501             | 1,499              |             | 1,603         |
| Total Wastewater | 1,488             | 1,488              | x 1.0       | 1,488         |

See accompanying auditor's report.

**Fort Bend County Municipal Utility District No. 187**  
**TSI-1. Services and Rates**  
**July 31, 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 provided by the City<br>of Richmond | <u>153,275,600</u> | Water Accountability Ratio:<br>(Gallons billed / Gallons pumped) |
| Gallons billed to customers:                | <u>153,275,600</u> | <u>100.00%</u>   |

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

Does the District have Debt Service standby fees? Yes  No

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

Is the District located entirely within one county? Yes  No

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

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely  Partly  Not at all

ETJs in which the District is located: City of Richmond

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

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 187  
 TSI-2 General Fund Expenditures  
 For the Year Ended July 31, 2020*

|                              |  |                   |
|------------------------------|--|-------------------|
| Professional fees            |  |                   |
| Legal                        |  | \$ 79,023         |
| Audit                        |  | 11,500            |
| Engineering                  |  | 79,415            |
|                              |  | <u>169,938</u>    |
| Contracted services          |  |                   |
| Bookkeeping                  |  | <u>10,980</u>     |
| Repairs and maintenance      |  | <u>6,755</u>      |
| Administrative               |  |                   |
| Directors fees               |  | 9,450             |
| Printing and office supplies |  | 805               |
| Insurance                    |  | 3,529             |
| Other                        |  | 3,877             |
|                              |  | <u>17,661</u>     |
| Total expenditures           |  | <u>\$ 205,334</u> |

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-3. Investments*  
*July 31, 2020*

| Fund              | Interest<br>Rate | Maturity<br>Date | Balance at<br>End of Year |
|-------------------|------------------|------------------|---------------------------|
| General           |                  |                  |                           |
| TexPool           | Variable         | N/A              | \$ 559,660                |
| TexPool           | Variable         | N/A              | 189,705                   |
|                   |                  |                  | <u>749,365</u>            |
| Debt Service      |                  |                  |                           |
| TexPool           | Variable         | N/A              | 2,306,163                 |
| TexPool - Road    | Variable         | N/A              | 714,061                   |
|                   |                  |                  | <u>3,020,224</u>          |
| Capital Projects  |                  |                  |                           |
| TexPool           | Variable         | N/A              | 142,237                   |
| TexPool - Road    | Variable         | N/A              | 14,125                    |
|                   |                  |                  | <u>156,362</u>            |
| Total - All Funds |                  |                  | <u>\$ 3,925,951</u>       |

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 187**  
**TSI-4. Taxes Levied and Receivable**  
**July 31, 2020**

|   | Maintenance<br>Taxes | Road Debt<br>Service Taxes | WSD Debt<br>Service Taxes | Totals         |
|---|----------------------|----------------------------|---------------------------|----------------|
| Taxes Receivable, Beginning of Year                 | \$ 7,235             | \$ 14,659                  | \$ 44,165                 | \$ 66,059      |
| Adjustments to Prior Year Tax Levy                  | (57)                 | (250)                      | (737)                     | (1,044)        |
| Adjusted Receivable                                 | 7,178                | 14,409                     | 43,428                    | 65,015         |
| 2019 Original Tax Levy                              | 98,139               | 670,619                    | 2,044,569                 | 2,813,327      |
| Adjustments   | (144)                | (987)                      | (3,008)                   | (4,139)        |
| Adjusted Tax Levy                                   | 97,995               | 669,632                    | 2,041,561                 | 2,809,188      |
| Total to be accounted for                           | 105,173              | 684,041                    | 2,084,989                 | 2,874,203      |
| Tax collections:                                    |                      |                            |                           |                |
| Current year  | 96,880               | 662,020                    | 2,018,355                 | 2,777,255      |
| Prior years   | 614                  | 3,188                      | 9,912                     | 13,714         |
| Total Collections                                   | 97,494               | 665,208                    | 2,028,267                 | 2,790,969      |
| Taxes Receivable, End of Year                       | \$ 7,679             | \$ 18,833                  | \$ 56,722                 | \$ 83,234      |
| Taxes Receivable, By Years                          |                      |                            |                           |                |
| 2019  | \$ 1,115             | \$ 7,612                   | \$ 23,206                 | \$ 31,933      |
| 2018  | 670                  | 3,435                      | 10,640                    | 14,745         |
| 2017  | 643                  | 2,958                      | 8,102                     | 11,703         |
| 2016 and prior                                      | 5,251                | 4,828                      | 14,774                    | 24,853         |
| Taxes Receivable, End of Year                       | \$ 7,679             | \$ 18,833                  | \$ 56,722                 | \$ 83,234      |
|   | 2019                 | 2018                       | 2017                      | 2016           |
| Property Valuations:                                |                      |                            |                           |                |
| Land  | \$ 66,664,768        | \$ 64,092,718              | \$ 61,322,458             | \$ 52,138,144  |
| Improvements  | 277,169,020          | 250,093,530                | 211,611,790               | 182,157,220    |
| Personal Property                                   | 1,353,900            | 1,219,550                  | 1,169,330                 | 1,025,840      |
| Exemptions  | (18,537,911)         | (15,760,718)               | (13,590,917)              | (11,285,678)   |
| Total Property Valuations                           | \$ 326,649,777       | \$ 299,645,080             | \$ 260,512,661            | \$ 224,035,526 |
| Tax Rates per \$100 Valuation:                      |                      |                            |                           |                |
| Maintenance tax rates                               | \$ 0.030             | \$ 0.040                   | \$ 0.05                   | \$ 0.09        |
| Road debt service tax rate                          | 0.205                | 0.205                      | 0.23                      | 0.21           |
| WSD debt service tax rate                           | 0.625                | 0.635                      | 0.63                      | 0.63           |
| Total Tax Rates per \$100 Valuation                 | \$ 0.860             | \$ 0.880                   | \$ 0.91                   | \$ 0.93        |
| Adjusted Tax Levy:                                  | \$ 2,809,188         | \$ 2,636,877               | \$ 2,370,665              | \$ 2,083,530   |
| Percentage of Taxes Collected<br>to Taxes Levied ** | 98.86%               | 99.44%                     | 99.51%                    | 99.55%         |

\* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on 11/4/08

\* Maximum Road Debt Service Tax Rate Approved by Voters: \$0.25 on 11/4/08

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2012--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>      |
|---|--------------------------------------|---|-------------------|
| 2021                                      | \$ 100,000                           | \$ 7,437  | \$ 107,437        |
| 2022                                      | 105,000                              | 4,744   | 109,744           |
| 2023                                      | 110,000                              | 1,650   | 111,650           |
|   | <u>\$ 315,000</u>                    | <u>\$ 13,831</u>                                  | <u>\$ 328,831</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u> |
|---|--------------------------------------|---|--------------|
| 2021                                      | \$ 100,000                           | \$ 1,500  | \$ 101,500   |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 155,000                           | \$ 108,425  | \$ 263,425          |
| 2022                                      | 155,000                              | 103,775   | 258,775             |
| 2023                                      | 155,000                              | 99,125  | 254,125             |
| 2024                                      | 155,000                              | 94,184  | 249,184             |
| 2025                                      | 155,000                              | 88,953  | 243,953             |
| 2026                                      | 155,000                              | 83,625  | 238,625             |
| 2027                                      | 155,000                              | 78,200  | 233,200             |
| 2028                                      | 155,000                              | 72,388  | 227,388             |
| 2029                                      | 155,000                              | 66,187  | 221,187             |
| 2030                                      | 155,000                              | 59,988  | 214,988             |
| 2031                                      | 155,000                              | 53,787  | 208,787             |
| 2032                                      | 155,000                              | 47,588  | 202,588             |
| 2033                                      | 155,000                              | 41,387  | 196,387             |
| 2034                                      | 155,000                              | 35,188  | 190,188             |
| 2035                                      | 155,000                              | 28,794  | 183,794             |
| 2036                                      | 150,000                              | 22,312  | 172,312             |
| 2037                                      | 150,000                              | 15,938  | 165,938             |
| 2038                                      | 150,000                              | 9,562   | 159,562             |
| 2039                                      | 150,000                              | 3,188   | 153,188             |
|   | <u>\$ 2,925,000</u>                  | <u>\$ 1,112,594</u>                               | <u>\$ 4,037,594</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014 Road--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 90,000                            | \$ 101,637  | \$ 191,637          |
| 2022                                      | 95,000                               | 99,788  | 194,788             |
| 2023                                      | 100,000                              | 97,762  | 197,762             |
| 2024                                      | 105,000                              | 95,375  | 200,375             |
| 2025                                      | 110,000                              | 92,687  | 202,687             |
| 2026                                      | 115,000                              | 89,789  | 204,789             |
| 2027                                      | 120,000                              | 86,525  | 206,525             |
| 2028                                      | 125,000                              | 82,972  | 207,972             |
| 2029                                      | 135,000                              | 79,135  | 214,135             |
| 2030                                      | 140,000                              | 75,010  | 215,010             |
| 2031                                      | 145,000                              | 70,554  | 215,554             |
| 2032                                      | 155,000                              | 65,679  | 220,679             |
| 2033                                      | 160,000                              | 60,440  | 220,440             |
| 2034                                      | 165,000                              | 54,915  | 219,915             |
| 2035                                      | 175,000                              | 49,047  | 224,047             |
| 2036                                      | 185,000                              | 42,748  | 227,748             |
| 2037                                      | 190,000                              | 35,995  | 225,995             |
| 2038                                      | 200,000                              | 28,780  | 228,780             |
| 2039                                      | 210,000                              | 21,090  | 231,090             |
| 2040                                      | 220,000                              | 12,920  | 232,920             |
| 2041                                      | 230,000                              | 4,370   | 234,370             |
|   | <u>\$ 3,170,000</u>                  | <u>\$ 1,347,218</u>                               | <u>\$ 4,517,218</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 245,000                           | \$ 170,175  | \$ 415,175          |
| 2022                                      | 245,000                              | 164,050   | 409,050             |
| 2023                                      | 245,000                              | 156,700   | 401,700             |
| 2024                                      | 245,000                              | 149,350   | 394,350             |
| 2025                                      | 245,000                              | 142,000   | 387,000             |
| 2026                                      | 245,000                              | 134,650   | 379,650             |
| 2027                                      | 245,000                              | 127,300   | 372,300             |
| 2028                                      | 245,000                              | 119,644   | 364,644             |
| 2029                                      | 245,000                              | 111,681   | 356,681             |
| 2030                                      | 240,000                              | 103,650   | 343,650             |
| 2031                                      | 240,000                              | 95,400  | 335,400             |
| 2032                                      | 240,000                              | 87,000  | 327,000             |
| 2033                                      | 240,000                              | 78,450  | 318,450             |
| 2034                                      | 240,000                              | 69,750  | 309,750             |
| 2035                                      | 240,000                              | 60,900  | 300,900             |
| 2036                                      | 240,000                              | 51,900  | 291,900             |
| 2037                                      | 240,000                              | 42,750  | 282,750             |
| 2038                                      | 240,000                              | 33,450  | 273,450             |
| 2039                                      | 240,000                              | 24,000  | 264,000             |
| 2040                                      | 240,000                              | 14,400  | 254,400             |
| 2041                                      | 240,000                              | 4,800   | 244,800             |
|   | <u>\$ 5,085,000</u>                  | <u>\$ 1,942,000</u>                               | <u>\$ 7,027,000</u> |

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Road--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 170,000                           | \$ 123,025  | \$ 293,025          |
| 2022                                      | 170,000                              | 113,675   | 283,675             |
| 2023                                      | 170,000                              | 104,325   | 274,325             |
| 2024                                      | 170,000                              | 94,975  | 264,975             |
| 2025                                      | 170,000                              | 87,750  | 257,750             |
| 2026                                      | 170,000                              | 82,650  | 252,650             |
| 2027                                      | 170,000                              | 77,550  | 247,550             |
| 2028                                      | 170,000                              | 72,450  | 242,450             |
| 2029                                      | 170,000                              | 67,350  | 237,350             |
| 2030                                      | 170,000                              | 62,250  | 232,250             |
| 2031                                      | 170,000                              | 57,150  | 227,150             |
| 2032                                      | 170,000                              | 52,050  | 222,050             |
| 2033                                      | 165,000                              | 47,025  | 212,025             |
| 2034                                      | 165,000                              | 42,075  | 207,075             |
| 2035                                      | 165,000                              | 37,125  | 202,125             |
| 2036                                      | 165,000                              | 32,175  | 197,175             |
| 2037                                      | 165,000                              | 27,225  | 192,225             |
| 2038                                      | 165,000                              | 22,275  | 187,275             |
| 2039                                      | 165,000                              | 17,325  | 182,325             |
| 2040                                      | 165,000                              | 12,375  | 177,375             |
| 2041                                      | 165,000                              | 7,425   | 172,425             |
| 2042                                      | 165,000                              | 2,475   | 167,475             |
|   | <u>\$ 3,690,000</u>                  | <u>\$ 1,242,700</u>                               | <u>\$ 4,932,700</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 190,000                           | \$ 114,106  | \$ 304,106          |
| 2022                                      | 190,000                              | 110,306   | 300,306             |
| 2023                                      | 190,000                              | 106,506   | 296,506             |
| 2024                                      | 190,000                              | 102,706   | 292,706             |
| 2025                                      | 190,000                              | 98,906  | 288,906             |
| 2026                                      | 190,000                              | 94,869  | 284,869             |
| 2027                                      | 185,000                              | 90,650  | 275,650             |
| 2028                                      | 185,000                              | 86,256  | 271,256             |
| 2029                                      | 185,000                              | 81,631  | 266,631             |
| 2030                                      | 185,000                              | 76,891  | 261,891             |
| 2031                                      | 185,000                              | 72,034  | 257,034             |
| 2032                                      | 185,000                              | 67,063  | 252,063             |
| 2033                                      | 185,000                              | 61,975  | 246,975             |
| 2034                                      | 185,000                              | 56,656  | 241,656             |
| 2035                                      | 185,000                              | 51,106  | 236,106             |
| 2036                                      | 185,000                              | 45,441  | 230,441             |
| 2037                                      | 185,000                              | 39,659  | 224,659             |
| 2038                                      | 185,000                              | 33,763  | 218,763             |
| 2039                                      | 185,000                              | 27,750  | 212,750             |
| 2040                                      | 185,000                              | 21,738  | 206,738             |
| 2041                                      | 185,000                              | 15,609  | 200,609             |
| 2042                                      | 185,000                              | 9,366   | 194,366             |
| 2043                                      | 185,000                              | 3,122   | 188,122             |
|   | <u>\$ 4,285,000</u>                  | <u>\$ 1,468,109</u>                               | <u>\$ 5,753,109</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017 Road--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 105,000                           | \$ 80,181   | \$ 185,181          |
| 2022                                      | 105,000                              | 75,981  | 180,981             |
| 2023                                      | 105,000                              | 71,781  | 176,781             |
| 2024                                      | 105,000                              | 67,581  | 172,581             |
| 2025                                      | 105,000                              | 63,381  | 168,381             |
| 2026                                      | 105,000                              | 59,969  | 164,969             |
| 2027                                      | 105,000                              | 57,344  | 162,344             |
| 2028                                      | 105,000                              | 54,588  | 159,588             |
| 2029                                      | 105,000                              | 51,700  | 156,700             |
| 2030                                      | 105,000                              | 48,681  | 153,681             |
| 2031                                      | 105,000                              | 45,531  | 150,531             |
| 2032                                      | 105,000                              | 42,250  | 147,250             |
| 2033                                      | 105,000                              | 38,838  | 143,838             |
| 2034                                      | 105,000                              | 35,294  | 140,294             |
| 2035                                      | 105,000                              | 31,619  | 136,619             |
| 2036                                      | 105,000                              | 27,944  | 132,944             |
| 2037                                      | 105,000                              | 24,269  | 129,269             |
| 2038                                      | 105,000                              | 20,528  | 125,528             |
| 2039                                      | 100,000                              | 16,813  | 116,813             |
| 2040                                      | 100,000                              | 13,125  | 113,125             |
| 2041                                      | 100,000                              | 9,375   | 109,375             |
| 2042                                      | 100,000                              | 5,625   | 105,625             |
| 2043                                      | 100,000                              | 1,875   | 101,875             |
|   | <u>\$ 2,390,000</u>                  | <u>\$ 944,273</u>                                 | <u>\$ 3,334,273</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*July 31, 2020*

| Due During Fiscal<br>Years Ending | Principal Due<br>September 1 | Interest Due<br>September 1,<br>March 1, | Total               |
|-----------------------------------|------------------------------|--|---------------------|
| 2021                              | \$ 200,000                   | \$ 166,563                               | \$ 366,563          |
| 2022                              | 200,000                      | 160,563                                  | 360,563             |
| 2023                              | 200,000                      | 154,563                                  | 354,563             |
| 2024                              | 200,000                      | 148,563                                  | 348,563             |
| 2025                              | 200,000                      | 142,563                                  | 342,563             |
| 2026                              | 200,000                      | 137,188                                  | 337,188             |
| 2027                              | 225,000                      | 132,000                                  | 357,000             |
| 2028                              | 225,000                      | 126,094                                  | 351,094             |
| 2029                              | 225,000                      | 119,625                                  | 344,625             |
| 2030                              | 225,000                      | 112,875                                  | 337,875             |
| 2031                              | 225,000                      | 106,125                                  | 331,125             |
| 2032                              | 225,000                      | 99,234                                   | 324,234             |
| 2033                              | 225,000                      | 92,203                                   | 317,203             |
| 2034                              | 225,000                      | 85,031                                   | 310,031             |
| 2035                              | 225,000                      | 77,719                                   | 302,719             |
| 2036                              | 225,000                      | 70,406                                   | 295,406             |
| 2037                              | 225,000                      | 62,953                                   | 287,953             |
| 2038                              | 225,000                      | 55,359                                   | 280,359             |
| 2039                              | 250,000                      | 47,344                                   | 297,344             |
| 2040                              | 250,000                      | 38,906                                   | 288,906             |
| 2041                              | 250,000                      | 30,469                                   | 280,469             |
| 2042                              | 250,000                      | 21,875                                   | 271,875             |
| 2043                              | 250,000                      | 13,125                                   | 263,125             |
| 2044                              | 250,000                      | 4,375                                    | 254,375             |
|                                   | <u>\$ 5,400,000</u>          | <u>\$ 2,205,721</u>                      | <u>\$ 7,605,721</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|--------------------------------------|---|---------------------|
| 2021                                      | \$ 220,000                           | \$ 174,213  | \$ 394,213          |
| 2022                                      | 220,000                              | 164,313   | 384,313             |
| 2023                                      | 220,000                              | 155,513   | 375,513             |
| 2024                                      | 220,000                              | 146,713   | 366,713             |
| 2025                                      | 220,000                              | 137,913   | 357,913             |
| 2026                                      | 220,000                              | 130,212   | 350,212             |
| 2027                                      | 220,000                              | 123,612   | 343,612             |
| 2028                                      | 220,000                              | 117,012   | 337,012             |
| 2029                                      | 220,000                              | 110,412   | 330,412             |
| 2030                                      | 220,000                              | 103,812   | 323,812             |
| 2031                                      | 215,000                              | 97,287  | 312,287             |
| 2032                                      | 215,000                              | 90,837  | 305,837             |
| 2033                                      | 215,000                              | 84,387  | 299,387             |
| 2034                                      | 215,000                              | 77,803  | 292,803             |
| 2035                                      | 215,000                              | 70,950  | 285,950             |
| 2036                                      | 215,000                              | 63,963  | 278,963             |
| 2037                                      | 215,000                              | 56,975  | 271,975             |
| 2038                                      | 215,000                              | 49,719  | 264,719             |
| 2039                                      | 215,000                              | 42,194  | 257,194             |
| 2040                                      | 215,000                              | 34,669  | 249,669             |
| 2041                                      | 215,000                              | 27,144  | 242,144             |
| 2042                                      | 215,000                              | 19,484  | 234,484             |
| 2043                                      | 215,000                              | 11,691  | 226,691             |
| 2044                                      | 215,000                              | 3,897   | 218,897             |
|   | <u>\$ 5,210,000</u>                  | <u>\$ 2,094,725</u>                               | <u>\$ 7,304,725</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019A Refunding--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>March 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|----------------------------------|---|---------------------|
| 2021                                      | \$ 125,000                       | \$ 83,938   | \$ 208,938          |
| 2022                                      | 130,000                          | 80,188  | 210,188             |
| 2023                                      | 135,000                          | 76,288  | 211,288             |
| 2024                                      | 140,000                          | 72,238  | 212,238             |
| 2025                                      | 145,000                          | 68,037  | 213,037             |
| 2026                                      | 150,000                          | 65,137  | 215,137             |
| 2027                                      | 155,000                          | 62,137  | 217,137             |
| 2028                                      | 155,000                          | 59,037  | 214,037             |
| 2029                                      | 160,000                          | 55,550  | 215,550             |
| 2030                                      | 170,000                          | 51,750  | 221,750             |
| 2031                                      | 170,000                          | 46,650  | 216,650             |
| 2032                                      | 180,000                          | 41,550  | 221,550             |
| 2033                                      | 185,000                          | 36,150  | 221,150             |
| 2034                                      | 190,000                          | 30,600  | 220,600             |
| 2035                                      | 195,000                          | 24,900  | 219,900             |
| 2036                                      | 205,000                          | 19,050  | 224,050             |
| 2037                                      | 210,000                          | 12,900  | 222,900             |
| 2038                                      | 220,000                          | 6,600   | 226,600             |
|   | <u>\$ 3,020,000</u>              | <u>\$ 892,700</u>                                 | <u>\$ 3,912,700</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020 Refunding--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>March 1</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>        |
|---|----------------------------------|---|---------------------|
| 2021                                      | \$ 10,000                        | \$ 46,866   | \$ 56,866           |
| 2022                                      | 10,000                           | 62,088  | 72,088              |
| 2023                                      | 130,000                          | 61,688  | 191,688             |
| 2024                                      | 135,000                          | 56,488  | 191,488             |
| 2025                                      | 145,000                          | 51,088  | 196,088             |
| 2026                                      | 150,000                          | 45,288  | 195,288             |
| 2027                                      | 155,000                          | 42,288  | 197,288             |
| 2028                                      | 155,000                          | 39,187  | 194,187             |
| 2029                                      | 160,000                          | 36,087  | 196,087             |
| 2030                                      | 165,000                          | 32,887  | 197,887             |
| 2031                                      | 170,000                          | 29,587  | 199,587             |
| 2032                                      | 175,000                          | 26,187  | 201,187             |
| 2033                                      | 180,000                          | 22,250  | 202,250             |
| 2034                                      | 185,000                          | 18,200  | 203,200             |
| 2035                                      | 185,000                          | 14,037  | 199,037             |
| 2036                                      | 195,000                          | 9,875   | 204,875             |
| 2037                                      | 200,000                          | 5,000   | 205,000             |
|   | <u>\$ 2,505,000</u>              | <u>\$ 599,091</u>                                 | <u>\$ 3,104,091</u> |

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 187*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*July 31, 2020*

| <u>Due During Fiscal<br/>Years Ending</u> | <u>Principal Due<br/>September 1,<br/>March 1,</u> | <u>Interest Due<br/>September 1,<br/>March 1,</u> | <u>Total</u>         |
|---|--|---|----------------------|
| 2021                                      | \$ 1,710,000                                       | \$ 1,178,066                                      | \$ 2,888,066         |
| 2022                                      | 1,625,000  | 1,139,471   | 2,764,471            |
| 2023                                      | 1,760,000  | 1,085,901   | 2,845,901            |
| 2024                                      | 1,665,000  | 1,028,173   | 2,693,173            |
| 2025                                      | 1,685,000  | 973,278   | 2,658,278            |
| 2026                                      | 1,700,000  | 923,377   | 2,623,377            |
| 2027                                      | 1,735,000  | 877,606   | 2,612,606            |
| 2028                                      | 1,740,000  | 829,628   | 2,569,628            |
| 2029                                      | 1,760,000  | 779,358   | 2,539,358            |
| 2030                                      | 1,775,000  | 727,794   | 2,502,794            |
| 2031                                      | 1,780,000  | 674,105   | 2,454,105            |
| 2032                                      | 1,805,000  | 619,438   | 2,424,438            |
| 2033                                      | 1,815,000  | 563,105   | 2,378,105            |
| 2034                                      | 1,830,000  | 505,512   | 2,335,512            |
| 2035                                      | 1,845,000  | 446,197   | 2,291,197            |
| 2036                                      | 1,870,000  | 385,814   | 2,255,814            |
| 2037                                      | 1,885,000  | 323,664   | 2,208,664            |
| 2038                                      | 1,705,000  | 260,036   | 1,965,036            |
| 2039                                      | 1,515,000  | 199,704   | 1,714,704            |
| 2040                                      | 1,375,000  | 148,133   | 1,523,133            |
| 2041                                      | 1,385,000  | 99,192  | 1,484,192            |
| 2042                                      | 915,000  | 58,825  | 973,825              |
| 2043                                      | 750,000  | 29,813  | 779,813              |
| 2044                                      | 465,000  | 8,272   | 473,272              |
|   | <u>\$ 38,095,000</u>                               | <u>\$ 13,864,462</u>                              | <u>\$ 51,959,462</u> |

See accompanying auditors' report.



|                                  | Bond Issue   |                                   |                      |                     |
|----------------------------------|--|-----------------------------------|----------------------|---------------------|
|                                  | Series 2012  | Series 2013                       | Series 2014          | Series 2014<br>Road |
| Interest rate                    | 2.00% - 4.00%  | 2.50% - 4.20%                     | 3.00% - 4.25%        | 2.00% - 3.80%       |
| Dates interest payable           | 9/1; 3/1   | 9/1; 3/1                          | 9/1; 3/1             | 9/1; 3/1            |
| Maturity dates                   | 9/1/16 - 9/1/23  | 9/1/15 - 9/1/21                   | 9/1/15 - 9/1/38      | 9/1/16 - 9/1/40     |
| Beginning bonds outstanding      | \$ 2,735,000   | \$ 3,055,000                      | \$ 3,080,000         | \$ 3,260,000        |
| Bonds issued                     |  |                                   |                      |                     |
| Bonds refunded                   | (2,325,000)  | (2,855,000)                       |                      |                     |
| Bonds retired                    | (95,000)   | (100,000)                         | (155,000)            | (90,000)            |
| Ending bonds outstanding         | <u>\$ 315,000</u>  | <u>\$ 100,000</u>                 | <u>\$ 2,925,000</u>  | <u>\$ 3,170,000</u> |
| Interest paid during fiscal year | <u>\$ 117,022</u>  | <u>\$ 60,613</u>                  | <u>\$ 113,075</u>    | <u>\$ 103,438</u>   |
| Paying agent's name and city     | Bank of New York Mellon Trust Company, N.A., Dallas, Texas |                                   |                      |                     |
| All Series                       | Bank of New York Mellon Trust Company, N.A., Dallas, Texas |                                   |                      |                     |
| Bond Authority:                  | Water, Sewer,<br>and Drainage<br>Bonds                     | Park and<br>Recreational<br>Bonds | Road<br>Bonds        | Fire<br>Bonds       |
| Amount Authorized by Voters      | \$ 137,535,000   | \$ 29,160,000                     | \$ 20,825,000        | \$ 680,000          |
| Amount Issued                    | (32,385,000)   |                                   | (10,300,000)         |                     |
| Remaining To Be Issued           | <u>\$ 105,150,000</u>                                      | <u>\$ 29,160,000</u>              | <u>\$ 10,525,000</u> | <u>\$ 680,000</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 investment balances as of July 31, 2020: \$ 3,076,616

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,164,978

See accompanying auditors' report.

| Bond Issue      |                     |                 |                     |                 |
|-----------------|---------------------|-----------------|---------------------|-----------------|
| Series 2015     | Series 2016<br>Road | Series 2016     | Series 2017<br>Road | Series 2017     |
| 2.00% - 4.00%   | 3.00% - 5.50%       | 2.00% - 3.38%   | 2.50% - 5.00%       | 2.375% - 3.50%  |
| 9/1; 3/1        | 9/1; 3/1            | 9/1; 3/1        | 9/1; 3/1            | 9/1; 3/1        |
| 9/1/16 - 9/1/40 | 9/1/17 - 9/1/41     | 9/1/17 - 9/1/42 | 9/1/18 - 9/1/42     | 9/1/18 - 9/1/43 |
| \$ 5,330,000    | \$ 3,860,000        | \$ 4,475,000    | \$ 2,495,000        | \$ 5,600,000    |
| (245,000)       | (170,000)           | (190,000)       | (105,000)           | (200,000)       |
| \$ 5,085,000    | \$ 3,690,000        | \$ 4,285,000    | \$ 2,390,000        | \$ 5,400,000    |
| \$ 175,075      | \$ 132,375          | \$ 117,906      | \$ 84,906           | \$ 172,563      |

|                                  | Series 2019     | Series 2019A<br>Refunding | Series 2020<br>Refunding | Total         |
|----------------------------------|-----------------|---------------------------|--------------------------|---------------|
| Interest rate                    | 3.00%-5.00%     | 2.00% - 3.00%             | 2.00% - 4.00%            |               |
| Dates interest payable           | 9/1; 3/1        | 9/1; 3/1                  | 9/1; 3/1                 |               |
| Maturity dates                   | 9/1/20 - 9/1/43 | 3/1/20 - 3/1/38           | 3/1/21 - 3/1/37          |               |
| Beginning bonds outstanding      | \$ 5,210,000    | \$ -                      | \$ -                     | \$ 39,100,000 |
| Bonds issued                     |                 | 3,030,000                 | 2,505,000                | 5,535,000     |
| Bonds refunded                   |                 |                           |                          | (5,180,000)   |
| Bonds retired                    |                 | (10,000)                  |                          | (1,360,000)   |
| Ending bonds outstanding         | \$ 5,210,000    | \$ 3,020,000              | \$ 2,505,000             | \$ 38,095,000 |
| Interest paid during fiscal year | \$ 179,713      | \$ 49,139                 | \$ -                     | \$ 1,305,825  |

See accompanying auditors' report.

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*Fort Bend County Municipal Utility District No. 187*

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

|                                    | Amounts     |            |            |            |            |
|------------------------------------|-------------|------------|------------|------------|------------|
|                                    | 2020        | 2019       | 2018       | 2017       | 2016       |
| Revenues                           |             |            |            |            |            |
| Property taxes                     | \$ 97,496   | \$ 119,598 | \$ 128,952 | \$ 204,757 | \$ 282,270 |
| Mowing reimbursement               | 23,621      | 23,621     | 23,621     | 23,621     | 23,621     |
| Effluent water usage               | 48,000      | 48,000     | 48,000     | 48,000     | 48,000     |
| Investment earnings                | 9,241       | 15,821     | 8,540      | 2,017      | 650        |
| Total Revenues                     | 178,358     | 207,040    | 209,113    | 278,395    | 354,541    |
| Expenditures                       |             |            |            |            |            |
| Operating and administrative       |             |            |            |            |            |
| Professional fees                  | 169,938     | 122,838    | 121,588    | 152,770    | 146,790    |
| Contracted services                | 10,980      | 10,950     | 10,980     | 11,070     | 11,085     |
| Repairs and maintenance            | 6,755       | 23,862     | 29,652     | 26,262     | 36,710     |
| Administrative                     | 17,661      | 18,246     | 17,188     | 17,590     | 36,104     |
| Other                              |             | 635        | 5,432      | 635        | 2,051      |
| Intergovernmental                  |             |            |            |            | 87,876     |
| Total Expenditures                 | 205,334     | 176,531    | 184,840    | 208,327    | 320,616    |
| Revenues Over/(Under) Expenditures | \$ (26,976) | \$ 30,509  | \$ 24,273  | \$ 70,068  | \$ 33,925  |

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2020  | 2019 | 2018 | 2017 | 2016 |
|-------|------|------|------|------|
| 55%   | 58%  | 62%  | 74%  | 79%  |
| 13%   | 11%  | 11%  | 8%   | 7%   |
| 27%   | 23%  | 23%  | 17%  | 14%  |
| 5%    | 8%   | 4%   | 1%   | *    |
| 100%  | 100% | 100% | 100% | 100% |
| 95%   | 59%  | 58%  | 55%  | 41%  |
| 6%    | 5%   | 5%   | 4%   | 3%   |
| 4%    | 12%  | 14%  | 9%   | 10%  |
| 10%   | 9%   | 8%   | 6%   | 10%  |
|       | *    | 3%   | *    | 1%   |
|       |      |      |      | 25%  |
| 115%  | 85%  | 88%  | 74%  | 90%  |
| (15%) | 15%  | 12%  | 26%  | 10%  |

*Fort Bend County Municipal Utility District No. 187*

*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                     | \$ 2,694,546        | \$ 2,505,484     | \$ 2,222,767      | \$ 1,868,783      | \$ 1,305,608      |
| Penalties and interest             | 10,004              | 11,274           | 10,948            | 9,295             | 3,440             |
| Accrued interest on bonds sold     |                     |                  |                   | 9,008             | 9,031             |
| Miscellaneous                      |                     |                  |                   |                   | 40                |
| Investment earnings                | 22,143              | 49,490           | 31,242            | 12,319            | 2,418             |
| Total Revenues                     | <u>2,726,693</u>    | <u>2,566,248</u> | <u>2,264,957</u>  | <u>1,899,405</u>  | <u>1,320,537</u>  |
| Expenditures                       |                     |                  |                   |                   |                   |
| Tax collection services            | 44,684              | 49,057           | 42,964            | 37,809            | 28,717            |
| Debt service                       |                     |                  |                   |                   |                   |
| Principal                          | 1,360,000           | 1,335,000        | 1,015,000         | 645,000           | 235,000           |
| Interest and fees                  | 1,309,448           | 1,156,105        | 1,055,718         | 878,516           | 566,773           |
| Debt issuance costs                | 295,799             | 3,030            |                   |                   |                   |
| Total Expenditures                 | <u>3,009,931</u>    | <u>2,543,192</u> | <u>2,113,682</u>  | <u>1,561,325</u>  | <u>830,490</u>    |
| Revenues Over/(Under) Expenditures | <u>\$ (283,238)</u> | <u>\$ 23,056</u> | <u>\$ 151,275</u> | <u>\$ 338,080</u> | <u>\$ 490,047</u> |

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

| 2020 | 2019 | 2018 | 2017 | 2016 |
|------|------|------|------|------|
| 99%  | 98%  | 99%  | 99%  | 99%  |
| *    | *    | *    | *    | *    |
|      |      |      | *    | 1%   |
|      |      |      |      | *    |
| 1%   | 2%   | 1%   | 1%   | *    |
| 100% | 100% | 100% | 100% | 100% |
| 2%   | 2%   | 2%   | 2%   | 2%   |
| 50%  | 52%  | 45%  | 34%  | 18%  |
| 48%  | 45%  | 47%  | 46%  | 43%  |
| 11%  | *    |      |      |      |
| 100% | 99%  | 94%  | 82%  | 63%  |
| 0%   | 1%   | 6%   | 18%  | 37%  |



**Fort Bend County Municipal Utility District No. 187**  
**TSI-8. Board Members, Key Personnel and Consultants**  
**For the Year Ended July 31, 2020**

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 5, 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<br>(Elected or<br>Appointed) or<br>Date Hired | Fees of<br>Office Paid<br>* | Expense<br>Reimburse-<br>ments | Title at Year End           |
|---|--|-----------------------------|--------------------------------|-----------------------------|
| <b>Board Members</b>                          |  |                             |                                |                             |
| David Vrshek                                  | 05/20 - 05/24  | \$ 2,400                    | \$ 184                         | President                   |
| Larry J. Junek                                | 05/18 - 05/22  | 1,800                       | 203                            | Vice President              |
| Brenda L. Farley                              | 06/20 - 05/24  | 1,650                       | 107                            | Secretary                   |
| Donna Coleman                                 | 05/18 - 05/22  | 1,950                       | 73                             | Assistant Vice<br>President |
| Sam Mayson                                    | 05/20 - 05/24  | 1,650                       | 29                             | Assistant Secretary         |
| <b>Consultants</b>                            |  |                             |                                |                             |
| Allen Boone Humphries Robinson LLP            | 08/08  | <u>Paid</u>                 |                                | Attorney                    |
| <i>General legal fees</i>                     |  | \$ 88,577                   |                                |                             |
| <i>Bond counsel</i>                           |  | 82,597                      |                                |                             |
| F. Matuska, Inc.                              | 11/08  | 12,170                      |                                | Bookkeeper                  |
| Assessments of the Southwest, Inc.            | 09/12  | 23,577                      |                                | Tax Collector               |
| Fort Bend Central Appraisal District          | Legislation  | 16,235                      |                                | Property Valuation          |
| Perdue Brandon Fielder Collins<br>& Mott, LLP | 04/12  | 2,399                       |                                | Delinquent Tax<br>Attorney  |
| Costello, Inc.                                | 08/12  | 79,416                      |                                | Engineer                    |
| McGrath & Co., PLLC                           | 07/13  | 19,600                      |                                | Auditor                     |
| Masterson Advisors, LLC                       | 05/18  | 59,234                      |                                | 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