

OFFICIAL STATEMENT DATED JULY 8, 2021

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

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

**Rating: S&P Global Ratings (BAM Insured)... "AA" (stable outlook)
See "BOND INSURANCE" and "RATING" herein**

\$4,300,000

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 130
(A Political Subdivision of the State of Texas, located within Fort Bend County, Texas)
DEFINED AREA UNLIMITED TAX BONDS, SERIES 2021A**

Dated: July 1, 2021

**Due: September 1, as shown on
the inside cover**

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from July 1, 2021, and is payable on March 1, 2022 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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

Fort Bend County Municipal Utility District No. 130 (the "District") created a defined area within the District pursuant to Texas law comprised of 109.3774 acres (the "Defined Area") for the purpose of financing water, sewer and drainage facilities, road facilities, and recreational facilities within the Defined Area. The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing such improvements to serve the Defined Area. Voters in the Defined Area have authorized a total of \$21,005,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of water, sewer and drainage facilities to serve the Defined Area and refunding such bonds, \$11,645,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of roads to serve the Defined Area and refunding such bonds, and \$12,190,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of recreational facilities to serve the Defined Area and refunding such bonds. Following the issuance of the Bonds, \$13,555,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of water, sewer and drainage facilities to serve the Defined Area and refunding such bonds, \$11,645,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of road facilities to serve the Defined Area and refunding such bonds, and \$12,190,000 principal amount of Defined Area unlimited tax bonds for acquisition and construction of recreational facilities to serve the Defined Area and refunding such bonds will remain authorized but unissued. Further, voters in the District have authorized additional bonds to serve all the land in the District, including: a total of \$22,000,000 principal amount of unlimited tax bonds to finance improvements to the District's water, sewer and drainage system and \$14,300,000 refunding bonds. The District has previously issued \$13,960,000 principal amount of unlimited tax bonds for such water, sewer and drainage system, none of which remains outstanding, and \$20,175,000 principal amount of unlimited tax refunding bonds, of which \$9,095,000 principal amount of such bonds remains outstanding.

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 Build America Mutual Assurance Company ("BAM" or the "Insurer"). See "BOND INSURANCE" herein.



See Maturity Schedule on the inside cover

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

The Bonds, when issued, constitute valid and binding special obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Defined Area. See "THE BONDS - Source of Payment." Neither the State of Texas, the City of Houston, Texas, Fort Bend County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, or Fort Bend County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about July 29, 2021.

MATURITY SCHEDULE
CUSIP Prefix (a): 34681Q

\$1,035,000 Serial Bonds

| <u>Principal Amount</u> | <u>Maturity (Due September 1)</u> | <u>Interest Rate</u> | <u>Initial Reoffering Yield (b)</u> | <u>CUSIP Suffix (a)</u> | <u>Principal Amount</u> | <u>Maturity (Due September 1)</u> | <u>Interest Rate</u> | <u>Initial Reoffering Yield (b)</u> | <u>CUSIP Suffix (a)</u> |
|-------------------------|-----------------------------------|----------------------|-------------------------------------|-------------------------|-------------------------|-----------------------------------|----------------------|-------------------------------------|-------------------------|
| \$110,000 | 2023 | 4.50% | 0.45% | JF5 | \$135,000 | 2030(c) | 2.00% | 1.45% | JN8 |
| 115,000 | 2024 | 4.50 | 0.60 | JG3 | 135,000 | 2031(c) | 2.00 | 1.60 | JP3 |
| 115,000 | 2025 | 4.50 | 0.75 | JH1 | 145,000 | 2032(c) | 2.00 | 1.70 | JQ1 |
| **** | **** | | | | 150,000 | 2033(c) | 2.00 | 1.80 | JR9 |
| 130,000 | 2029(c) | 4.50 | 1.25 | JM0 | | | | | |

\$375,000 Term Bonds, Due September 1, 2028(c)(d), CUSIP Suffix JL2 (a), Interest Rate 4.50% (Yield 0.80%)(b)
\$315,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix JT5 (a), Interest Rate 2.00% (Yield 2.00%)(b)
\$335,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix JV0 (a), Interest Rate 2.00% (Yield 2.10%)(b)
\$355,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix JX6 (a), Interest Rate 2.00% (Yield 2.15%)(b)
\$780,000 Term Bonds, Due September 1, 2043(c)(d), CUSIP Suffix KB2 (a), Interest Rate 2.25% (Yield 2.308%)(b)
\$1,105,000 Term Bonds, Due September 1, 2047(c)(d), CUSIP Suffix KF3 (a), Interest Rate 2.25% (Yield 2.35%)(b)

- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed. Accrued interest from July 1, 2021, is to be added to the price.
- (c) The outstanding amounts of the Bonds, including the Term Bonds, maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of Fort Bend County Municipal Utility District No. 130 (the "District"), as a whole or in part, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS - Redemption Provisions."

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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 does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, audited financial statements, and engineering and other related reports set forth in the 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, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. 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 the Official Statement until delivery of the Bonds to the Underwriter (as hereinafter defined), and thereafter only as described under "OFFICIAL STATEMENT - Updating of Official Statement."

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

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

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

Build America Mutual Assurance Company ("BAM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.0% of the principal amount thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.499284%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the inside cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) 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 an exhibit 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.7 million, \$156.4 million and \$321.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its 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 "BOND INSURANCE" and "RATING" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

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

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

RATING

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

The Bonds are expected to receive an insured rating of “AA” (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The Bonds do not currently have an underlying rating.

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

The District is not aware of any ratings assigned the Bonds other than the rating of S&P. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE DISTRICT

Description

The District is a political subdivision of the State of Texas, created by Order of the Texas Natural Resource Conservation Commission (now the Texas Commission on Environmental Quality) (the "TCEQ") on June 26, 2001. The District contains approximately 420.82 acres of land. The District is located entirely within Fort Bend County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located approximately 28 miles west of the central business district of the City of Houston, approximately one and one-half miles southwest of the intersection of Interstate Highway 10 and Pin Oak Road. The District lies wholly within the Katy Independent School District. See "THE DISTRICT - General" and "Description," and "APPENDIX A - LOCATION MAP."

Defined Area

In 2018, pursuant to Section 7994.055 of the Texas Special District Local Laws Code, the District designated a Defined Area No. 1 (the "Defined Area") over an approximate 109.3774-acre tract located within the District. HT Flewellen, LP (the "Developer") has constructed water, sewer, drainage, recreational and road facilities within the Defined Area. The District has agreed to reimburse the Developer for a portion of these costs, plus interest, from the proceeds of bond issuances that are secured by ad valorem taxes collected solely from the Defined Area and are solely obligations of the Defined Area. As described below, the development within the Defined Area, Willow Fork Groves, is being marketed as "Grayson Woods," but was platted as Willow Fork Groves. Willow Fork Groves is a residential development located on the east side of the District and has an ultimate build-out of 180 single-family lots. The development is separated into two sections. Willow Fork Groves, Section 1 includes 128 residential lots and two detention facilities. Willow Fork Groves, Section 2 includes 52 lots and a recreation center.

The District levies taxes that are imposed on the entirety of the District, including the Defined Area (the "District-wide Tax") and taxes that are imposed on the Defined Area only (the "Defined Area Tax"). District-Wide Taxes levied by the District cannot be used to pay debt service on the Bonds. For 2020, the District levied a District-wide Tax that consisted of a debt service tax of \$0.30 per \$100 of Assessed Valuation and a maintenance tax of \$0.23 per \$100 of Assessed Valuation. In addition, for 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. Therefore, the total 2020 District tax imposed on the entirety of the District is \$0.53 per \$100 of Assessed Valuation and the total 2020 District tax imposed on the Defined Area is \$1.40 per \$100 of Assessed Valuation (comprised of both the Defined Area Tax and the District-wide Tax).

THE BONDS

The Issuer

Fort Bend County Municipal Utility District No. 130 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas. See “THE DISTRICT.”

The Issue.....

Fort Bend County Municipal Utility District No. 130 Defined Area Unlimited Tax Bonds, Series 2021A, in the aggregate principal amount of \$4,300,000 are dated July 1, 2021. Interest accrues from July 1, 2021, at the rates shown on the inside cover hereof, and is payable on March 1, 2022 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$1,035,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2025, both inclusive, and 2029 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$3,265,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2028, 2035, 2037, 2039, 2043 and 2047, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The outstanding amounts of the Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2028, are subject to redemption, in whole or in part, prior to their scheduled maturities, on September 1, 2026, or on any date thereafter at the option of the District. Upon redemption, the Bonds will be payable at a price equal to the principal amount of the Bonds, or portions thereof, so called for redemption, plus accrued interest to the date of redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption.” See “THE BONDS.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54, Texas Water Code, as amended, and 7994, Special District Local Laws Code, as amended.

Book-Entry-Only System.....

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

| | |
|--|---|
| Source of Payment..... | The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the Defined Area. See “THE BONDS - Source of Payment.” The District-wide Tax levied by the District cannot be used to pay debt service on the Bonds. |
| Use of Proceeds | Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of construction of water distribution, wastewater collection, and storm drainage facilities that serve Willow Fork Groves, Sections 1 and 2; (ii) land acquisition costs of South Detention Ponds Reserve H and Detention Reserve D; (iii) improvements to the District’s Lift Station 1 and hydropneumatic tank; (iv) pay engineering costs associated with the design and construction of such facilities; (v) certain operating costs of the Defined Area; and (vi) pay issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.” |
| Outstanding Bonds and Payment Record | The Bonds constitute the second series of Defined Area bonds issued by the District. The District has previously issued its Defined Area Unlimited Tax Bonds, Series 2020A (the “Series 2020A Bonds”) for waterworks, wastewater, and drainage facilities. Collective reference is made in this Official Statement to the previously issued Defined Area bonds as the “Prior Bonds.” As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District for the Defined Area will be \$3,150,000 (the “Outstanding Bonds”), and the total of the District’s direct bonded indebtedness for the Defined Area, including the Bonds, will be \$7,450,000. The District has timely paid all debt service requirements on its Prior Bonds, and any bonds previously issued by the District, when due. |
| Authorized But Unissued Bonds..... | To serve the Defined Area only, voters of the District within the Defined Area authorized the issuance of \$21,005,000 unlimited tax bonds for waterworks, wastewater, and drainage facilities, and refunding bonds issued for such purposes, \$11,645,000 unlimited tax bonds for roads and refunding bonds issued for such purpose; and \$12,190,000 unlimited tax bonds for parks and recreational facilities, and refunding of bonds issued for such purposes. Following the issuance of the Bonds, the following amounts will remain authorized but unissued to serve the Defined Area: \$13,555,000 unlimited tax bonds for waterworks, wastewater, and drainage facilities, and refunding bonds issued for such purposes, \$11,645,000 unlimited tax bonds for roads and refunding bonds issued for such purpose; and \$12,190,000 unlimited tax bonds for parks and recreational facilities, and refunding of bonds issued for such purposes. See “THE BONDS - Issuance of Additional Debt.” In addition to the components of the waterworks, wastewater, and drainage facilities that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional facilities to |

serve the Defined Area with portions of the proceeds of the sale of Defined Area bonds, if any, in the future. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District.

To serve the entire District, the District's voters have authorized the issuance of \$22,000,000 unlimited tax bonds for waterworks, wastewater, and drainage facilities, and \$14,300,000 for refunding purposes, and could authorize additional amounts. The District has \$8,040,000 unlimited tax bonds for such facilities and \$13,562,137.50 for such refunding purposes authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District.

Municipal Bond Insurance Build America Mutual Assurance Company (“BAM”). See “BOND INSURANCE.”

Municipal Bond Rating S&P Global Ratings (BAM insured) “AA” (stable outlook). See “BOND INSURANCE” and “RATING.” The Bonds do not currently have an underlying rating.

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

Qualified Tax-Exempt Obligations The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations.”

Authority..... The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7994 of the Texas Special District Local Laws Code. See “THE DISTRICT - General.”

Development and Home Construction As of June 1, 2021, the Defined Area contained 180 homes (including 38 homes under construction). According to the District's Engineer, water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving have been completed to serve 180 single-family residential lots that have been developed on approximately 69.56 acres located within the Defined Area as Willow Fork Groves, Sections 1 and 2.

As of June 1, 2021, in addition to the homes and lots described above in the Defined Area, the District contained 530 homes outside of the Defined Area, all of which have been sold to homeowners. According to the District's Engineer, water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving have been completed to serve 531 single-family residential lots that have been developed on approximately 266.13 acres located within the District as Grayson Lakes, Sections 1 through 7 and 9. Such sections of Grayson Lakes were platted respectively as Country Lakes, Sections 1 through 3 and Country Lakes at Grayson Lakes, Sections 4 through 7 and 9, but were marketed

and are referred to herein as Grayson Lakes, Sections 1 through 7 and 9. The District financed the cost of acquisition or construction of underground water distribution, wastewater collection and storm drainage and detention facilities to serve Grayson Lakes, Sections 1 through 7 and 9; certain District costs associated with leasing a water plant and the purchase thereof and a remote water well; certain District costs associated with leasing a wastewater treatment plant and the purchase thereof; a 200,000 gallon ground storage tank; a portion of the costs associated with the acquisition of land for a stormwater detention pond; T-106 drainage channel expansion; Grayson Lakes Phase II drainage, the District's remaining land acquisition costs for detention pond nos. 1 and 2, and Grayson Lakes lift station nos. 1 through 3, the cost of construction of water plant expansion phase III, and other items with portions of the proceeds of the sale of prior bonds issued by the District. See "THE SYSTEM." The balance of the land located in the District consists of approximately 85.14 acres which are located within stormwater detention or drainage easements, lift station sites, open spaces, natural gas pipeline easements or are otherwise not available for future development.

Developer

The developer of the 180 single-family residential lots (approximately 69.56 acres) subdivided as Willow Fork Groves, Sections 1 and 2 within the Defined Area is HT Flewellen, LP (the "Developer"). The Developer has completed the development of the 180 single-family residential lots located in Willow Fork Groves, Sections 1 and 2 to provide building sites on which MHI, doing business as Coventry Homes, and Trendmaker Homes have constructed and are constructing homes for sale. See "BUILDERS" below. The Developer owns no additional land located within the District.

Builders

MHI, doing business as Coventry Homes, and Trendmaker Homes are currently constructing homes in the Defined Area that range in size from approximately 2,712 to 4,050 square feet of living area and in sales price from approximately \$725,000 to \$1,100,000.

Collective reference is made in this Official Statement to MHI, doing business as Coventry Homes, and Trendmaker Homes as the "Builders." Although the Developer has represented that the descriptions of the homes that the Builders are currently constructing within the Defined Area are accurate as of the date of this Official Statement, the Builders may change the types, sizes and sales prices of the homes which they choose to construct within the Defined Area wholly within their discretion, or may suspend home construction activity entirely.

Infectious Disease Outbreak (COVID-19) ...

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the

spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Fort Bend County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS.”

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

| | | |
|--|-------------|------------------|
| 2020 Assessed Valuation of the Defined Area | \$ | 42,069,104 (a) |
| (As of January 1, 2020) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| 2021 Preliminary Valuation of the Defined Area | \$ | 72,947,523 (b) |
| (As of January 1, 2021) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| Estimated Valuation at June 1, 2021 of the Defined Area..... | \$ | 80,493,363 (c) |
| (As of June 1, 2021) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| Direct Debt of the Defined Area | | |
| Outstanding Bonds..... | \$ | 3,150,000 |
| The Bonds | | <u>4,300,000</u> |
| Total | \$ | 7,450,000 (d) |
| Estimated Overlapping Debt of the Defined Area..... | \$ | <u>3,542,216</u> |
| Total Direct and Estimated Overlapping Debt of the Defined Area..... | \$ | 10,992,216 (d) |
| Direct Debt Ratios of the Defined Area | | |
| : as a percentage of 2020 Assessed Valuation | | 17.71 % |
| : as a percentage of 2021 Preliminary Valuation | | 10.21 % |
| : as a percentage of Estimated Valuation at June 1, 2021 | | 9.26 % |
| Direct and Overlapping Debt Ratios of the Defined Area | | |
| : as a percentage of 2020 Assessed Valuation | | 26.13 % |
| : as a percentage of 2021 Preliminary Valuation | | 15.07 % |
| : as a percentage of Estimated Valuation at June 1, 2021 | | 13.66 % |
| Defined Area Debt Service Fund Balance as of May 20, 2021 | \$ | 222,658 (e) |
| Defined Area General Fund Balance as of May 20, 2021 | \$ | 331,219 |
| District Debt Service Fund Balance as of May 20, 2021..... | \$ | 1,461,527 (f) |
| District General Fund Balance as of May 20, 2021..... | \$ | 1,648,016 (f) |
| 2020 Defined Area Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax..... | \$0.20 | |
| Maintenance Tax..... | <u>0.67</u> | |
| Total | | \$ 0.87 (g) |
| Anticipated Approximate 2021 Defined Area Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax..... | \$0.60 | |
| Maintenance Tax..... | <u>0.27</u> | |
| Total | | \$ 0.87 (g) |
| 2020 District-Wide Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax..... | \$0.30 | |
| Maintenance Tax..... | <u>0.23</u> | |
| Total | | \$ 0.53 (g) |

| | | |
|---|----|----------|
| Total Combined 2020 District-Wide Tax Rate and 2020 Defined Area Tax Rate | \$ | 1.40 (g) |
| Total Anticipated Combined 2021 District-Wide Tax Rate and 2021 Defined Area Tax Rate | \$ | 1.40 (g) |
| Average Percentage of Total Tax Collections (2018-2019) of the Defined Area (As of May 31, 2021) | | 100.00 % |
| Percentage of Tax Collections of 2020 Levy of the Defined Area as of May 31, 2021 (In process of collection)..... | | 99.55 % |
| Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2047) of the Defined Area | \$ | 407,005 |
| Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047) of the Defined Area..... | \$ | 449,900 |
| Tax Rate per \$100 of Assessed Valuation Required in the Defined Area to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2047) at 95% Tax Collections | | |
| Based Upon 2020 Assessed Valuation..... | \$ | 1.02 |
| Based Upon 2021 Preliminary Valuation..... | \$ | 0.59 |
| Based Upon Estimated Valuation at June 1, 2021 | \$ | 0.54 |
| Tax Rate per \$100 of Assessed Valuation in the Defined Area Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047) at 95% Tax Collections | | |
| Based Upon 2020 Assessed Valuation..... | \$ | 1.13 |
| Based Upon 2021 Preliminary Valuation..... | \$ | 0.65 |
| Based Upon Estimated Valuation at June 1, 2021 | \$ | 0.59 |
| Number of Single Family Homes in the Defined Area as of June 1, 2021 (including 38 homes under construction) | | 180 |

- (a) As of January 1, 2020, and comprises the District's 2020 Defined Area tax roll. All property in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "TAXING PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the Defined Area as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 values resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. The Defined Area's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal District certifies the value thereof for 2021. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the Defined Area as of June 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through May 31, 2021. No taxes were levied for 2020 against any values added since January 1, 2020. The ultimate Assessed Valuation of any improvements added from January 1, 2020, through December 31, 2020, which will be placed on the Defined Area's 2021 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2021. The ultimate Assessed Valuation of any improvements added from January 1, 2021, through May 31, 2021, which will be placed on the Defined Area's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.

- (d) See “DISTRICT DEBT (DEFINED AREA).” In addition to the components of the waterworks, wastewater, and drainage facilities that the District has financed with the proceeds of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional facilities to serve the Defined Area with portions of the proceeds of the sale of Defined Area bonds, if any, in the future.
- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District’s remaining Defined Area debt service payments for 2021, which are due on September 1, 2021, total \$47,034, and consist of the payment of interest on the Outstanding Bonds. The District’s initial debt service payment on the Bonds, which consists of an eight-month interest payment, is due on March 1, 2022.
- (f) The proceeds of the District Debt Service Fund and of the District General Fund cannot be used to pay debt service on the Bonds.
- (g) For 2020, the District levied a District-wide Tax that consisted of a debt service tax of \$0.30 per \$100 of Assessed Valuation and a maintenance tax of \$0.23 per \$100 of Assessed Valuation. In addition, for 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. District-Wide taxes levied by the District cannot be used to pay debt service on the Bonds. As is described in this Official Statement under the caption “TAX DATA - Estimated Overlapping Taxes,” the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the Defined Area is \$3.342007 per \$100 of Assessed Valuation, which aggregate levies are in the range of the aggregate levies of municipal utility districts that are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the Defined Area as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the Defined Area. The tax rate necessary to service the debt issued or to be issued by the District and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 130
DEFINED AREA UNLIMITED TAX BONDS
SERIES 2021A**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 130 (the “District”) of its Defined Area Unlimited Tax Bonds, Series 2021A (the “Bonds”).

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Counsel, Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated and accrue interest from July 1, 2021, at the rates shown on the inside cover page hereof, with interest payable on March 1, 2022 (eight-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. An aggregate of \$1,035,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2025, both inclusive, and 2029 through 2033, both inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$3,265,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”), maturing on September 1 in each of the years 2028, 2035, 2037, 2039, 2043 and 2047, in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable by the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas, or any successor paying agent/registrars (the “Registrar,” “Paying Agent,” or “Paying Agent/Registrar”). Interest on the Bonds is based on a 360day year of twelve 30-day months.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial Owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such Beneficial Owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District or the Initial Purchaser.

Assignments, Transfers and Exchanges

In the event DTC's book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser, any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Record Date

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

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2028, 2035, 2037, 2039, 2043, and 2047 shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 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).

\$375,000 Term Bonds Maturing on September 1, 2028

| <u>Mandatory Redemption Dates</u> | <u>Principal Amount</u> |
|-----------------------------------|-------------------------|
| September 1, 2026 | \$120,000 |
| September 1, 2027 | 125,000 |
| September 1, 2028 (maturity) | 130,000 |

\$315,000 Term Bonds Maturing on September 1, 2035

| <u>Mandatory Redemption Dates</u> | <u>Principal Amount</u> |
|-----------------------------------|-------------------------|
| September 1, 2034 | \$155,000 |
| September 1, 2035 (maturity) | 160,000 |

\$335,000 Term Bonds Maturing on September 1, 2037

| <u>Mandatory Redemption Dates</u> | <u>Principal Amount</u> |
|-----------------------------------|-------------------------|
| September 1, 2036 | \$165,000 |
| September 1, 2037 (maturity) | 170,000 |

\$355,000 Term Bonds Maturing on September 1, 2039

| <u>Mandatory Redemption Dates</u> | <u>Principal Amount</u> |
|-----------------------------------|-------------------------|
| September 1, 2038 | \$175,000 |
| September 1, 2039 (maturity) | 180,000 |

\$780,000 Term Bonds Maturing on September 1, 2043

| <u>Mandatory Redemption Dates</u> | <u>Principal Amount</u> |
|-----------------------------------|-------------------------|
| September 1, 2040 | \$185,000 |
| September 1, 2041 | 190,000 |
| September 1, 2042 | 200,000 |
| September 1, 2043 (maturity) | 205,000 |

\$1,105,000 Term Bonds Maturing on September 1, 2047
Mandatory Redemption Dates **Principal Amount**

| | |
|------------------------------|-----------|
| September 1, 2044 | \$215,000 |
| September 1, 2045 | 220,000 |
| September 1, 2046 | 230,000 |
| September 1, 2047 (maturity) | 440,000 |

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 Bonds 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 method of random selection, the Term Bonds or portions of Term Bonds 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 Term Bonds of a particular maturity to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced, at the option of the District, by the principal amount of Term Bonds of such maturity, 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 outstanding amounts of the Bonds (including any Term Bonds) maturing on and after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2026, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “BOOK- ENTRY-ONLY SYSTEM.” If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Resolution.

Effects of Redemption

By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the principal 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.

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. In order to act as Paying Agent/Registrar for the Bonds, any paying agent/registrar selected by the District shall be a national or state banking institution, organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority.

Authority for Issuance

At an election held within the Defined Area on November 6, 2018, voters of the District within the Defined Area authorized the following unlimited tax bonds to serve the Defined Area: a total of \$21,005,000 in bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and refunding of such bonds; \$12,190,000 in bonds for the purpose of acquiring or constructing recreational facilities and refunding of such bonds; and \$11,645,000 in bonds for the purpose of acquiring and constructing roads and refunding of such bonds. The Bonds constitute the second issuance of bonds from such authorization. Following the issuance of the Bonds, the following amounts will remain authorized but unissued to serve the Defined Area: \$13,555,000 in bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and refunding of such bonds, \$12,190,000 in bonds for the purpose of acquiring or constructing recreational facilities and refunding of such bonds, and \$11,645,000 in bonds for the purpose of acquiring and constructing roads and refunding of such bonds. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 7994 of the Texas Special District Local Laws Code; and an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

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.

Outstanding Bonds and Payment Record

The Bonds constitute the second series of Defined Area bonds issued by the District. The District has previously issued its Defined Area Unlimited Tax Bonds, Series 2020A (the "Series 2020A Bonds") for waterworks, wastewater, and drainage facilities to serve the Defined Area secured solely by the Defined Area Tax. Collective reference is made in this Official Statement to the previously issued bonds as the "Prior Bonds." As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that had not been previously retired by the District will be \$3,150,000 (the "Outstanding Bonds"), and the total of the District's direct bonded indebtedness secured solely by the Defined Area Tax, including the Bonds, will be \$7,450,000. The District has timely paid all debt service requirements on its Prior Bonds, and any bonds previously issued by the District, when due.

Source of Payment

The Bonds are special obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Defined Area. In the Bond Resolution, the District covenants to levy a sufficient tax within the Defined Area to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Such tax proceeds, after deduction for collection costs, will be placed in the Defined Area Debt Service Fund and used solely to pay principal of and interest on the Bonds, and on additional parity bonds payable from taxes which may be issued, Registrar fees, and Appraisal District fees. Proceeds from the District-wide Tax levied by the District cannot be used to pay debt service on the Bonds.

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

Issuance of Additional Debt

The District may issue additional bonds with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), necessary to provide improvements and facilities consistent with the purposes for which the District, and/or the Defined Area, was created. However, Commission approval is not required for bonds issued for road facilities. The District's voters within the Defined Area have authorized the issuance of \$21,005,000 unlimited tax bonds for construction of water, wastewater and drainage facilities to serve the Defined Area and for refunding of same, \$12,190,000 unlimited tax bonds for construction of recreational facilities to serve the Defined Area and for refunding of same, \$11,645,000 for construction of road facilities to serve the Defined Area and for refunding of same, and could authorize additional amounts. In addition to the components of the water, wastewater, and drainage facilities that the

District has financed with proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see "Use and Distribution of Bond Proceeds" below and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional facilities to serve the Defined Area with portions of the proceeds of the sale of Defined Area bonds, if any, in the future. Following the issuance of the Bonds, the following amounts will remain authorized but unissued to serve the Defined Area: \$13,555,000 in bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and refunding of such bonds, \$12,190,000 in bonds for the purpose of acquiring or constructing recreational facilities and refunding of such bonds, and \$11,645,000 in bonds for the purpose of acquiring and constructing roads and refunding of such bonds. The Bond Resolution imposes no limitation on the amount of additional parity Defined Area bonds which may be issued by the District.

To serve the entire District, the District's voters have authorized the issuance of \$22,000,000 unlimited tax bonds for construction of water, wastewater and drainage facilities, and \$14,300,000 for refunding purposes, and could authorize additional amounts. The District has \$8,040,000 unlimited tax bonds for such facilities and \$13,562,137.50 for refunding purposes authorized but unissued.

No Arbitrage

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City 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 and the District specifying the procedures for full purpose annexation of all or a portion of the District. No such agreement has been entered into between the City and the District. See "Strategic Partnership" below.

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

Consolidation

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

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. Although the City has negotiated and entered into such an agreement with a number of other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. 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 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. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the Defined Area in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to (i) finance the District’s cost of construction of water distribution, wastewater collection, and storm drainage facilities that serve Willow Fork Groves, Sections 1 and 2; (ii) land acquisition costs of South Detention Ponds Reserve H and Detention Reserve D; (iii) improvements to the District’s Lift Station 1 and hydropneumatic tank; (iv) pay engineering costs associated with the design and construction of such facilities; (v) certain operating costs of the Defined Area; and (vi) pay issuance costs, legal fees, fiscal agent’s fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

| I. Construction Costs | <u>District's Share</u> |
|--|--------------------------------|
| A. Developer Contribution Items (a) | |
| 1. Willow Fork Groves Section 1 Water, Wastewater and Drainage | \$1,182,342 |
| 2. Willow Fork Groves Section 2 Water, Wastewater and Drainage | 401,189 |
| 3. Engineering and Associated Fees | 388,172 |
| 4. Stormwater Pollution Prevention Plan | <u>103,647</u> |
| Total Developer Contribution Items | \$2,075,350 |
| B. District Items | |
| 1. Pressure Tank Improvements | \$104,200 |
| 2. Lift Station 1 Improvements | 171,000 |
| 3. Contingencies | 55,040 |
| 4. Engineering | 49,536 |
| 5. Land Acquisition Costs | |
| a. Reserve D (Detention Channel) | 455,478 |
| b. Reserve H (South Detention Ponds) | 635,205 |
| Total District Items | <u>\$1,470,459</u> |
| TOTAL CONSTRUCTION COSTS | \$3,545,809 |
| II. Non-Construction Costs | |
| 1. Legal Fees | \$122,500 |
| 2. Fiscal Agent Fees | 86,000 |
| 3. Interest | |
| a. Developer Interest (b) | 227,488 |
| 4. Bond Discount | 129,000 |
| 5. Bond Issuance Expenses | 29,504 |

| | |
|-------------------------------------|--------------------|
| 6. Bond Application Report Costs | 63,000 |
| 7. Developer Advances | 81,649 |
| 8. Attorney General Fee | 4,300 |
| 9. TCEQ Bond Issuance Fee | 10,750 |
| | <hr/> |
| TOTAL NON-CONSTRUCTION COSTS | \$754,191 |
| | <hr/> |
| TOTAL BOND ISSUE REQUIREMENT | \$4,300,000 |
| | <hr/> <hr/> |

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement with respect to certain facilities being financed with portions of the proceeds of the sale of the Bonds on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed to the Developer on advances it has made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the Developer has borrowed funds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to reimburse the Developer for the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission (predecessor to the TCEQ) dated June 26, 2001, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapter 49 and Chapter 54 of the Texas Water Code, as amended, Chapter 7994 of the Special District Local Laws Code of Texas, and other general statutes of Texas applicable to municipal utility districts. The District, which lies totally within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. Under certain limited circumstances, the District also is authorized to construct, develop and maintain parks and recreational facilities and road facilities. In addition, the District is empowered to finance parks and recreational facilities and road facilities serving the Defined Area. The District is also empowered to establish, operate and maintain firefighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

The District is required to observe certain requirements of the City of Houston, which limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road and fire-fighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston, and filed in the real property records of Fort Bend County. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description

The District contains approximately 420.82 acres of land. The District is located entirely within Fort Bend County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the “City”). The District is located approximately 28 miles west of the central business district of the City of Houston, approximately one and one-half miles southwest of the intersection of Interstate Highway 10 and Pin Oak Road. The District lies wholly within the Katy Independent School District. See “APPENDIX A - LOCATION MAP.”

Defined Area and Reimbursement Agreement

In 2018, pursuant to Section 7994.055 of the Texas Special District Local Laws Code, the District designated a Defined Area No. 1 (the “Defined Area”) over an approximate 109.3774-acre tract located within the District. HT Flewellen, LP (the “Developer”) has constructed water, sewer, drainage, recreational and road facilities within the Defined Area. The District has agreed to reimburse the Developer for a portion of these costs, plus interest, from the proceeds of bond issuances that are secured by ad valorem taxes collected solely from the Defined Area and are solely obligations of the Defined Area.

Defined Area Development and Taxes

As described under “DEVELOPMENT AND HOME CONSTRUCTION,” the development within the Defined Area, Willow Fork Groves, is being marketed as “Grayson Woods,” but was platted as Willow Fork Groves. Willow Fork Groves is a residential development located on the east side of the District and has an ultimate build-out of 180 single-family lots. The development is separated into two sections. Willow Fork Groves, Section 1 includes 128 residential lots and two detention facilities. Willow Fork Groves, Section 2 includes 52 lots and a recreation center.

The District levies taxes that are imposed on the entirety of the District, including the Defined Area (the “District-wide Tax”) and taxes that are imposed on the Defined Area only (the “Defined Area Tax”). District-wide Taxes levied by the District cannot be used to pay debt service on the Bonds or the Prior Bonds. For 2020, the District levied a District-wide Tax that consisted of a debt service tax of \$0.30 per \$100 of Assessed Valuation and a maintenance tax of \$0.23 per \$100 of Assessed Valuation. In addition, for 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. Therefore, the total 2020 District tax imposed on the entirety of the District is \$0.53 per \$100 of Assessed Valuation and the total 2020 District tax imposed on the Defined Area is \$1.40 per \$100 of Assessed Valuation (comprised of both the Defined Area Tax and the District-wide Tax).

Management of the District

The District is governed by the Board of Directors, consisting of five directors who reside within the District. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in even numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below.

| <u>Name</u> | <u>Position</u> | <u>Term Expires in May</u> |
|-----------------|--------------------------|----------------------------|
| Daniel Smith | President | 2024 |
| Pamela Gray | Vice President | 2022 |
| Randy Graham | Assistant Vice President | 2022 |
| Michael Rusk | Secretary | 2024 |
| Lanny Hitchcock | Assistant Secretary | 2024 |

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Tax Assessor/Collector - The District has engaged Tax Tech, Inc., as the District's Tax Assessor/Collector. According to Tax Tech, Inc., it presently serves approximately 88 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District and bills and collects such levy.

Consulting Engineers - The District has employed the firm of AEI Engineering, a Baxter & Woodman Company, Houston, Texas, as Consulting Engineer (the "Engineer") in connection with the overall planning activities and the design and construction of the water, wastewater, drainage and road facilities serving the District, including the Defined Area. The District has also employed the firm of EHRA Engineering, Houston, Texas, to assist with such matters with respect to the Defined Area.

Bookkeeper - The District has engaged Myrtle Cruz, Inc. as the District's Bookkeeper. According to Myrtle Cruz, Inc., it currently serves approximately 372 districts as bookkeeper.

Auditor - The financial statements of the District as of August 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. A copy of the District's audited financial statements for the fiscal year ended August 31, 2020, is included as "APPENDIX B" to this Official Statement.

Bond Counsel and General Counsel - Allen Boone Humphries Robinson LLP, Houston, Texas ("Bond Counsel") serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Allen Boone Humphries Robinson LLP serves as general counsel to the District on matters other than the issuance of bonds. Compensation to general counsel for other services to the District is based on time charges actually incurred. See "LEGAL MATTERS."

Financial Advisor - The District has engaged Rathmann & Associates, L.P., as financial advisor (the "Financial Advisor") to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through http://www.sec.gov/edgar/searchedgar/company_search.html.

Disclosure Counsel - McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

DEVELOPMENT AND HOME CONSTRUCTION

As of June 1, 2021, the Defined Area contained 180 homes (including 38 homes under construction). According to the District's Engineer, water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving have been completed to serve 180 single-family residential lots that have been developed on approximately 69.56 acres located within the Defined Area as Willow Fork Groves, Sections 1 and 2.

As of June 1, 2021, in addition to the homes and lots described above in the Defined Area, the District contained 530 homes outside of the Defined Area, all of which have been sold to homeowners. According to the District's Engineer, water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities and street paving have been completed to serve 531 single-family residential lots that have been developed on approximately 266.13 acres located within the District as Grayson Lakes, Sections 1 through 7 and 9. Such sections of Grayson Lakes were platted respectively as Country Lakes, Sections 1 through 3 and Country Lakes at Grayson Lakes, Sections 4 through 7 and 9, but were marketed and are referred to herein as Grayson Lakes, Sections 1 through 7 and 9. The District financed the cost of acquisition or construction of underground water distribution, wastewater collection and storm drainage and detention facilities to serve Grayson Lakes, Sections 1 through 7 and 9; certain District costs associated with leasing a

water plant and the purchase thereof and a remote water well; certain District costs associated with leasing a wastewater treatment plant and the purchase thereof; a 200,000 gallon ground storage tank; a portion of the costs associated with the acquisition of land for a stormwater detention pond; T-106 drainage channel expansion; Grayson Lakes Phase II drainage, the District's remaining land acquisition costs for detention pond nos. 1 and 2, and Grayson Lakes lift station nos. 1 through 3, the cost of construction of water plant expansion phase III, and other items with portions of the proceeds of the sale of the prior District bonds and the Prior Bonds. See "THE SYSTEM." The balance of the land located in the District consists of approximately 85.14 acres which are located within stormwater detention or drainage easements, lift station sites, open spaces, natural gas pipeline easements or are otherwise not available for future development. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

As of June 1, 2021, the status of lot development and home construction in the District, including the Defined Area, was as follows:

| <u>Subdivision</u> | <u>L O T S</u> | | | | <u>H O M E S</u> | | | | <u>Totals</u> |
|------------------------------------|------------------------|-----------------------------|--------------------------|-------------|---------------------------|-------------|------------------|----------|---------------|
| | <u>Fully Developed</u> | <u>Acres ⁽ⁱ⁾</u> | <u>Under Development</u> | | <u>Under Construction</u> | | <u>Completed</u> | | |
| | | | <u>Acres</u> | <u>Sold</u> | <u>Unsold</u> | <u>Sold</u> | <u>Unsold</u> | | |
| Grayson Lakes ⁽ⁱⁱ⁾ | | | | | | | | | |
| Section 1 | 69 | 53.34 | | | 0 | 0 | 69 | 0 | 69 |
| Section 2 | 84 | 30.80 | | | 0 | 0 | 84 | 0 | 84 |
| Section 3 | 71 | 33.17 | | | 0 | 0 | 71 | 0 | 71 |
| Section 4 | 67 | 27.25 | | | 0 | 0 | 67 | 0 | 67 |
| Section 5 | 52 | 31.48 | | | 0 | 0 | 52 | 0 | 52 |
| Section 6 | 75 ⁽ⁱⁱⁱ⁾ | 39.75 | | | 0 | 0 | 74 | 0 | 74 |
| Section 7 | 61 | 32.57 | | | 0 | 0 | 61 | 0 | 61 |
| Section 9 | 52 | 17.77 | | | 0 | 0 | 52 | 0 | 52 |
| Willow Fork Groves ^(iv) | | | | | | | | | |
| Section 1 | 128 | 52.86 | | | 21 | 2 | 101 | 4 | 128 |
| Section 2 | 52 | 16.70 | | | 14 | 1 | 37 | 0 | 52 |
| TOTALS | 711 | 335.69 | 0 | 0 | 35 | 3 | 668 | 4 | 710 |

⁽ⁱ⁾ Excludes acres that are located within stormwater detention or drainage easements, lift station sites, open spaces, natural gas pipeline easements or are otherwise not available for future development. See "TAX DATA - Principal 2020 Taxpayers (Defined Area)," and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

⁽ⁱⁱ⁾ The Grayson Lakes subdivision is not located within the Defined Area.

⁽ⁱⁱⁱ⁾ 75 platted lots, one of which was deeded to a homeowners association for use as a park.

^(iv) Willow Fork Groves is located wholly within the Defined Area of the District.

THE DEVELOPER

The developer of the 180 single-family residential lots (approximately 69.56 acres) subdivided as Willow Fork Groves, Sections 1 and 2 within the Defined Area is HT Flewellen, LP (the "Developer"). The Developer has completed the development of the 180 single-family residential lots located in Willow Fork Groves, Sections 1 and 2 to provide building sites on which MHI, doing business as Coventry Homes, and Trendmaker Homes have constructed and are constructing homes for sale. See "BUILDERS" below. The Developer owns no additional land located within the District.

BUILDERS

MHI, doing business as Coventry Homes, and Trendmaker Homes are currently constructing homes in the Defined Area that range in size from approximately 2,712 to 4,050 square feet of living area and in sales price from approximately \$725,000 to \$1,100,000.

Collective reference is made in this Official Statement to MHI, doing business as Coventry Homes, and Trendmaker Homes as the “Builders.” Although the Developer has represented that the descriptions of the homes that the Builders are currently constructing within the Defined Area are accurate as of the date of this Official Statement, the Builders may change the types, sizes and sales prices of the homes which they choose to construct within the Defined Area wholly within their discretion, or may suspend home construction activity entirely.

AERIAL PHOTOGRAPH OF THE DISTRICT AND THE DEFINED AREA
(taken April 2021)



PHOTOGRAPHS TAKEN WITHIN THE DEFINED AREA
(taken April 2021)



**PHOTOGRAPHS TAKEN WITHIN THE DEFINED AREA
(taken April 2021)**



DISTRICT DEBT (DEFINED AREA)

Debt Service Requirement Schedule

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

| Year Ending December 31 | Current Total Debt Service | Plus: The Bonds | | New Total Debt Service |
|---|-------------------------------|-----------------|-------------|---------------------------|
| | | Principal | Interest | |
| 2021 | \$101,906 | | | \$101,906 |
| 2022 | 169,068 | | \$130,477 | 299,545 |
| 2023 | 172,755 | \$110,000 | 111,838 | 394,593 |
| 2024 | 171,155 | 115,000 | 106,888 | 393,043 |
| 2025 | 174,475 | 115,000 | 101,713 | 391,188 |
| 2026 | 177,605 | 120,000* | 96,538 | 394,143 |
| 2027 | 175,535 | 125,000* | 91,138 | 391,673 |
| 2028 | 178,375 | 130,000* | 85,513 | 393,888 |
| 2029 | 181,000 | 130,000 | 79,663 | 390,663 |
| 2030 | 183,400 | 135,000 | 73,813 | 392,213 |
| 2031 | 185,565 | 135,000 | 71,113 | 391,678 |
| 2032 | 182,485 | 145,000 | 68,413 | 395,898 |
| 2033 | 184,295 | 150,000 | 65,513 | 399,808 |
| 2034 | 185,845 | 155,000* | 62,513 | 403,358 |
| 2035 | 187,245 | 160,000* | 59,413 | 406,658 |
| 2036 | 188,495 | 165,000* | 56,213 | 409,708 |
| 2037 | 189,465 | 170,000* | 52,913 | 412,378 |
| 2038 | 190,280 | 175,000* | 49,513 | 414,793 |
| 2039 | 195,870 | 180,000* | 46,013 | 421,883 |
| 2040 | 195,995 | 185,000* | 42,413 | 423,408 |
| 2041 | 195,880 | 190,000* | 38,250 | 424,130 |
| 2042 | 195,600 | 200,000* | 33,975 | 429,575 |
| 2043 | 199,990 | 205,000* | 29,475 | 434,465 |
| 2044 | 199,040 | 215,000* | 24,863 | 438,903 |
| 2045 | 197,920 | 220,000* | 20,025 | 437,945 |
| 2046 | 201,630 | 230,000* | 15,075 | 446,705 |
| 2047 | | 440,000* | 9,900 | 449,900 |
| | \$4,760,874 | \$4,300,000 | \$1,623,174 | \$10,684,048 |
| Average Annual Requirements: (2022-2047)..... | | | | \$407,005 |
| Maximum Annual Requirement: (2047)..... | | | | \$449,900 |

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

| | | |
|--|-------------|------------------|
| 2020 Assessed Valuation of the Defined Area | \$ | 42,069,104 (a) |
| (As of January 1, 2020) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| 2021 Preliminary Valuation of the Defined Area | \$ | 72,947,523 (b) |
| (As of January 1, 2021) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| Estimated Valuation at June 1, 2021 of the Defined Area..... | \$ | 80,493,363 (c) |
| (As of June 1, 2021) | | |
| See "TAX DATA" and "TAXING PROCEDURES" | | |
| Direct Debt of the Defined Area | | |
| Outstanding Bonds..... | \$ | 3,150,000 |
| The Bonds | | <u>4,300,000</u> |
| Total | \$ | 7,450,000 (d) |
| Estimated Overlapping Debt of the Defined Area..... | \$ | <u>3,542,216</u> |
| Total Direct and Estimated Overlapping Debt of the Defined Area..... | \$ | 10,992,216 (d) |
| Direct Debt Ratios of the Defined Area | | |
| : as a percentage of 2020 Assessed Valuation | | 17.71 % |
| : as a percentage of 2021 Preliminary Valuation | | 10.21 % |
| : as a percentage of Estimated Valuation at June 1, 2021 | | 9.26 % |
| Direct and Overlapping Debt Ratios of the Defined Area | | |
| : as a percentage of 2020 Assessed Valuation | | 26.13 % |
| : as a percentage of 2021 Preliminary Valuation | | 15.07 % |
| : as a percentage of Estimated Valuation at June 1, 2021 | | 13.66 % |
| Defined Area Debt Service Fund Balance as of May 20, 2021 | \$ | 222,658 (e) |
| Defined Area General Fund Balance as of May 20, 2021 | \$ | 331,219 |
| District Debt Service Fund Balance as of as of May 20, 2021 | \$ | 1,461,527 (f) |
| District General Fund Balance as of May 20, 2021 | \$ | 1,648,016 (f) |
| 2020 Defined Area Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax | \$0.20 | |
| Maintenance Tax | <u>0.67</u> | |
| Total | \$ | 0.87 (g) |
| Anticipated Approximate 2021 Defined Area Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax | \$0.60 | |
| Maintenance Tax | <u>0.27</u> | |
| Total | \$ | 0.87 (g) |
| 2020 District-Wide Tax Rate per \$100 of Assessed Valuation | | |
| Debt Service Tax | \$0.30 | |
| Maintenance Tax | <u>0.23</u> | |
| Total | \$ | 0.53 (g) |

| | | |
|---|----|----------|
| Total Combined 2020 District-Wide Tax Rate and Defined Area Tax Rate | \$ | 1.40 (g) |
| Total Anticipated Combined 2021 District-Wide Tax Rate and 2021 Defined Area Tax Rate | \$ | 1.40 (g) |
| Average Percentage of Total Tax Collections (2018-2019) Tax Levy of Defined Area (As of May 31, 2021) | | 100.00 % |
| Percentage of Total Tax Collections 2020 Tax Levy of Defined Area as of May 31, 2021 (In process of collection)..... | | 99.55 % |

-
- (a) As of January 1, 2020, and comprises the District's 2020 Defined Area tax roll. All property located in the District is valued on the tax rolls by the Fort Bend Central Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) This amount is the sum of the preliminary values of all taxable property located within the Defined Area as of January 1, 2021, as reflected on the District's preliminary 2021 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2021 value resulting from the construction of taxable improvements from January 1, 2020, through December 31, 2020. No taxes will be levied on this estimate. The Defined Area's ultimate 2021 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2021. See "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the Defined Area as of June 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through May 31, 2021. No taxes were levied for 2020 against any values added since January 1, 2020. The ultimate Assessed Valuation of any improvements added from January 1, 2020, through December 31, 2020, which will be placed on the Defined Area's 2021 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2021. The ultimate Assessed Valuation of any improvements added from January 1, 2021, through May 31, 2021, which will be placed on the Defined Area's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.
- (d) In addition to the components of the waterworks, wastewater, and drainage facilities that the District has financed with the proceeds of the Prior Bonds, and is financing with portions of the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District expects to finance the acquisition or construction of additional facilities to serve the Defined Area with portions of the proceeds of the sale of Defined Area bonds, if any, in the future.
- (e) Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Defined Area Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2021. The District's remaining Defined Area debt service payments for 2021, which are due on September 1, 2021, total \$47,034, and consist of the payment of interest on the Outstanding Bonds. The District's initial debt service payment on the Bonds, which consists of a seven-month interest payment, is due on March 1, 2022.
- (f) The proceeds of the District Debt Service Fund and of the District General Fund cannot be used to pay debt service on the Bonds.
- (g) For 2020, the District levied a District-wide Tax that consisted of a debt service tax of \$0.30 per \$100 of Assessed Valuation and a maintenance tax of \$0.23 per \$100 of Assessed Valuation. In addition, for 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and maintenance tax of \$0.67 per \$100 of Assessed Valuation. District-Wide taxes levied by the District cannot be used to pay debt service on the Bonds. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2020 tax levies of all units of government which levy taxes against the property located within the Defined Area is \$3.342007 per \$100 of Assessed Valuation, which aggregate levies are in the range of the aggregate levies of municipal utility districts that are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the Defined Area as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the Defined Area. The tax rate necessary to service the debt issued or to be issued by the District and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will

be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District and the Defined Area have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

| <u>Taxing Jurisdiction</u> | <u>Debt as of June 1, 2021</u> | <u>Estimated Overlapping Percent</u> | <u>Amount</u> |
|--|------------------------------------|--|------------------|
| Fort Bend County | \$622,289,567 | 0.0548% | \$340,749 |
| Fort Bend County Drainage District | 25,405,000 | 0.0552% | 14,023 |
| Katy Independent School District | 1,806,185,631 | 0.0937% | 1,692,687 |
| The District ⁽ⁱ⁾ | 9,095,000 | 16.4349% | <u>1,494,757</u> |
| Total Estimated Overlapping Debt | | | \$3,542,216 |
| Total Direct Debt (Defined Area) ⁽ⁱⁱ⁾ | | | <u>7,450,000</u> |
| Total Direct and Estimated Overlapping Debt | | | \$10,992,216 |

⁽ⁱ⁾ This figure reflects the amount of outstanding District unlimited tax bonds, other than Defined Area bonds, as of July 8, 2021.

⁽ⁱⁱ⁾ This figure reflects the amount of outstanding Defined Area unlimited tax bonds, including the Outstanding Bonds, and the Bonds.

Debt Ratios

| | <u>% of 2020 Assessed Valuation</u> | <u>% of 2021 Preliminary Valuation</u> | <u>% of Estimated Valuation at June 1, 2021</u> |
|---|---|--|---|
| Direct Debt | 17.71% | 10.21% | 9.26% |
| Direct and Estimated Overlapping Debt.... | 26.13% | 15.07% | 13.66% |

TAX DATA

Debt Service Tax

All taxable property within the Defined Area is subject to the assessment, levy and collection by the District of an annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds and any future tax-supported parity bonds that may be issued by the District from time to time. The Board of Directors of the District has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds and the Outstanding Bonds (see “THE BONDS” and “INVESTMENT CONSIDERATIONS”). The actual rate of such tax is determined annually as a function of the District's Defined Area tax base, its Defined Area debt service requirements, and available funds. For 2020, the District levied a District-wide Tax for debt service of \$0.30 per \$100 of Assessed Valuation. The Board of Directors also has the authority to levy a Defined Area Tax for debt service on all taxable property within the Defined Area. For 2020, the District levied a Defined Area Tax for debt service of \$0.20 per \$100 of Assessed Valuation. The District-wide Tax levied by the District cannot be used to pay debt service on the Bonds.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. On August 11, 2001, the Board was authorized by a vote of the District's electors to levy a District-wide maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on bonds issued for the benefit of the entire District. For 2020, the District levied a District-wide Tax for maintenance of its improvements of \$0.23 per \$100 of Assessed Valuation.

At an election held on November 6, 2018, the District's electors within the Defined Area authorized the following additional maintenance taxes for facilities to serve the Defined Area: (i) a maintenance tax for water, wastewater, drainage, and recreational facilities to serve the Defined Area not to exceed \$1.00 per \$100 valuation on all property within the Defined Area subject to taxation; and (ii) a maintenance tax for road facilities to serve the Defined Area not to exceed \$0.25 per \$100 valuation on all property within the Defined Area subject to taxation. The District levied a Defined Area maintenance tax of \$0.67 per \$100 of Assessed Valuation for 2020.

Historical Values and Tax Collection History (Defined Area)

| <u>Tax Year</u> | <u>Assessed Valuation</u> | <u>Tax Rate^(a)</u> | <u>Adjusted Levy</u> | <u>% Collections</u> | |
|-----------------|---------------------------|-------------------------------|----------------------|--|------------------------|
| | | | | <u>Current & Prior Years^(b)</u> | <u>Year Ended 9/30</u> |
| 2018 | \$2,547,020 | \$0.87 | \$22,159 | 100.00% | 2019 |
| 2019 | 5,694,271 | 0.87 | 49,540 | 100.00 | 2020 |
| 2020 | 42,069,104 | 0.87 | 366,001 | 99.55 ^(c) | 2021 |

^(a) Per \$100 of Assessed Valuation; Defined Area tax rate does not include taxes levied District-Wide.

^(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through May 31, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

^(c) As of May 31, 2021. In process of collection.

Tax Rate Distribution

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| District-Wide Debt Service | \$0.30 | \$0.40 | \$0.40 | \$0.40 | \$0.40 |
| District-Wide Maintenance | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 |
| Defined Area Debt Service | 0.20 | | | | |
| Defined Area Maintenance | <u>0.67</u> | <u>0.87</u> | <u>0.87</u> | | |
| Total | \$1.40* | \$1.50* | \$1.50* | \$0.63 | \$0.63 |

* Total Taxes within Defined Area

Tax Exemption

The District has adopted a District-wide residential homestead exemption for persons 65 years of age or older or disabled persons in the amount of \$15,000 in Assessed Valuation for tax year 2021. The District has not adopted a general residential homestead exemption for tax year 2021. See "TAXING PROCEDURES."

Analysis of Tax Base (Defined Area)

The following table illustrates the composition of property located within the Defined Area since its designation in 2018.

| <u>Type of Property</u> | <u>2020</u> | | <u>2019</u> | | <u>2018</u> | |
|-------------------------|---------------------------|---------------|---------------------------|---------------|---------------------------|--------------|
| | <u>Assessed Valuation</u> | <u>%</u> | <u>Assessed Valuation</u> | <u>%</u> | <u>Assessed Valuation</u> | <u>%</u> |
| Land | \$25,474,900 | 60.56% | \$5,655,420 | 99.32% | \$2,547,040 | 100.00% |
| Improvements | 16,882,780 | 40.13% | 43,191 | 0.76% | 0 | 0.00% |
| Personal Property | 224,520 | 0.53% | 0 | 0.00% | 0 | 0.00% |
| Exemptions | <u>(513,096)</u> | <u>-1.22%</u> | <u>(4,340)</u> | <u>-0.08%</u> | <u>(20)</u> | <u>0.00%</u> |
| TOTAL | \$42,069,104 | 100.00% | \$5,694,271 | 100.00% | \$2,547,020 | 100.00% |

Principal 2020 Taxpayers (Defined Area)

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2020. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2020.

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>Assessed Valuation 2020 Tax Roll</u> | <u>% of 2020 Tax Roll</u> |
|---------------------------------------|---|---|-------------------------------|
| Trendmaker Homes, Inc. ^(a) | Land, Improvements and Personal Property | \$5,111,680 | 12.15% |
| MHI Partnership, Ltd. ^(a) | Land, Improvements and Personal Property | 2,317,040 | 5.51% |
| Tri Pointe Homes Texas, Inc | Land | 925,160 | 2.20% |
| Property Owner | Land and Improvements | 672,910 | 1.60% |
| Property Owner | Land and Improvements | 631,040 | 1.50% |
| Property Owner | Land and Improvements | 608,980 | 1.45% |
| MHI Models, Ltd. ^(a) | Land and Improvements | 604,430 | 1.44% |
| Property Owner | Land and Improvements | 601,730 | 1.43% |
| Property Owner | Land and Improvements | 589,700 | 1.40% |
| Property Owner | Land and Improvements | <u>564,280</u> | <u>1.34%</u> |
| | | \$12,626,950 | 30.02% |

^(a) See "BUILDERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the Defined Area's tax base occurs beyond the 2020 Assessed Valuation, the 2021 Preliminary Valuation, or the Estimated Valuation at June 1, 2021. The calculations assume collection of 95% of taxes levied, no use of other legally available funds on hand, and the sale of no bonds by the Defined Area except the Prior Bonds and the Bonds.

| | |
|---|-----------|
| Average Annual Debt Service Requirements (2022-2047) (Defined Area)..... | \$407,005 |
| Defined Area Tax Rate of \$1.02 on the 2020 Assessed Valuation (\$42,069,104) produces | \$407,650 |
| Defined Area Tax Rate of \$0.59 on the 2021 Preliminary Valuation (\$72,947,523) produces | \$408,871 |
| Defined Area Tax Rate of \$0.54 on the Estimated Valuation at June 1, 2021 (\$80,493,363) produces | \$412,931 |
| Maximum Annual Debt Service Requirement (2047) (Defined Area) | \$449,900 |
| Defined Area Tax Rate of \$1.13 on the 2020 Assessed Valuation (\$42,069,104) produces | \$451,612 |
| Defined Area Tax Rate of \$0.65 on the 2021 Preliminary Valuation (\$72,947,523) produces | \$450,451 |
| Defined Area Tax Rate of \$0.59 on the Estimated Valuation at June 1, 2021 (\$80,493,363) produces | \$451,165 |

For 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. The District anticipates levying a Defined Area Tax rate consisting of a debt service tax of \$0.60 per \$100 of Assessed Valuation and a maintenance tax of \$0.27 per \$100 of Assessed Valuation in tax year 2021. As is illustrated above, the anticipated 2021 anticipated debt service tax rate will be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirements on the Bonds and the Outstanding Bonds assuming taxable values in the Defined Area at the level of the Estimated Valuation at June 1, 2021, assuming collection of 95% of taxes levied, assuming no use of other legally available funds on hand, and the issuance of no bonds by the Defined Area except the Prior Bonds and the Bonds. As is illustrated above under the caption "Historical Values and Tax Collection History (Defined Area)," the District had collected 100% of its 2018 through 2019 Defined Area tax levies as of May 31, 2021, and its 2020 Defined Area tax levy, which is in the process of collection, was 99.55% collected as of such date. Moreover, the Defined Area's Debt Service Fund balance was \$222,658 as May 20, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Defined Area Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Defined Area Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Defined Area Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the Defined Area Tax rate for debt service above the debt service rate which the District anticipates levying for 2021 - \$0.60 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the Defined Area will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. The District levied a 2020 District-Wide Tax of \$0.53 per \$100 of Assessed Valuation. District-Wide Taxes levied by the District cannot be used to pay debt service on the Bonds. See "THE DISTRICT - Defined Area Development and Taxes," "TAXING PROCEDURES," "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS."

Estimated Overlapping Taxes

Property within the District, including the Defined Area, is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

The District levies taxes that are imposed on the entirety of the District, including the Defined Area (the “District-wide Tax”) and taxes that are imposed on the Defined Area only (the “Defined Area Tax”). The District-wide tax levied by the District cannot be used to pay debt service on the Bonds. For 2020, the District levied a District-wide Tax that consisted of a debt service tax of \$0.30 per \$100 of Assessed Valuation and a maintenance tax of \$0.23 per \$100 of Assessed Valuation. In addition, for 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. Therefore, the total 2020 District tax imposed on the entirety of the District is \$0.53 per \$100 of Assessed Valuation and the total 2020 tax imposed on the Defined Area is \$1.40 per \$100 of Assessed Valuation (comprised of both the Defined Area Tax and the District-wide Tax).

In 2018, pursuant to Section 7994.055 of the Texas Special District Local Laws Code, the District designated a Defined Area No. 1 (the “Defined Area”) over an approximate 109.3774-acre tract located within the District. See “THE DISTRICT - Defined Area and Reimbursement Agreement” and - “Defined Area Development and Taxes.” HT Flewellen, LP (the “Developer”) has constructed water, sewer, drainage, recreational and road facilities within the Defined Area. The District has agreed to reimburse the Developer for a portion of these costs, plus interest, from the proceeds of bond issuances that are secured by ad valorem taxes collected solely from the Defined Area and are solely obligations of the Defined Area. As described previously, the development within the Defined Area, Willow Fork Groves, is being marketed as “Grayson Woods,” but was platted as Willow Fork Groves. Willow Fork Groves is a residential development located on the east side of the District and has an ultimate build-out of 180 single-family lots. The development is separated into two sections. Willow Fork Groves, Section 1 includes 128 residential lots and two detention facilities. Willow Fork Groves, Section 2 includes 52 lots and a recreation center.

| <u>Taxing Jurisdiction (including Defined Area)</u> | <u>2020 Tax Rate Per \$100 of A.V.</u> |
|--|---|
| Defined Area ⁽ⁱ⁾ | \$0.870000 |
| The District ⁽ⁱⁱ⁾ | 0.530000 |
| Fort Bend County | 0.435876 |
| Fort Bend County Drainage District | 0.017331 |
| Katy Independent School District | 1.388800 |
| Fort Bend Emergency Service District No. 2 | <u>0.100000</u> |
| Total Tax Rate | \$3.342007 |

| <u>Taxing Jurisdiction (excluding Defined Area)</u> | <u>2020 Tax Rate Per \$100 of A.V.</u> |
|--|---|
| The District ⁽ⁱⁱ⁾ | 0.530000 |
| Fort Bend County | 0.435876 |
| Fort Bend County Drainage District | 0.017331 |
| Katy Independent School District | 1.388800 |
| Fort Bend Emergency Service District No. 2 | <u>0.100000</u> |
| Total Tax Rate | \$2.472007 |

⁽ⁱ⁾ The District levied a Defined Area Tax of \$0.87 per \$100 of Assessed Valuation for 2020, consisting of debt service and maintenance taxes of \$0.20 and \$0.67 per \$100 of Assessed Valuation, respectively.

⁽ⁱⁱ⁾ The District levied a District-wide Tax of \$0.53 per \$100 of Assessed Valuation for 2020, consisting of debt service and maintenance taxes of \$0.30 and \$0.23 per \$100 of Assessed Valuation, respectively.

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 Defined Area in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional parity 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 above under “THE BONDS - Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and its facilities and for the payment of certain contractual obligations. See “TAX DATA - Maintenance Tax” and - “Tax Rate Distribution.”

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code, as amended (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 the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the “Appraisal District”) has the responsibility of appraising property for all taxing units within Fort Bend County, including the District. Such appraisal values will be subject to review and change by the Fort Bend County 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 65 years or older and certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an 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 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, but only to the maximum extent of between \$5,000 and \$12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100%, and, under certain circumstances, the surviving spouse of such veteran, is entitled to the exemption for the full amount of the residential homestead. 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, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount to be transferred to a subsequent residence homestead of the surviving spouse.

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 market 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. The District has not granted a general residential homestead exemption for 2021. See “TAX DATA - Exemptions.”

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

Valuation of Property for Taxation

Generally, 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 Boards, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of 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 for 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 years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as 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 Boards 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 Districts to compel compliance with the Property Tax Code.

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that 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 taxpayer 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, subject to certain homestead exemptions.

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, subject to certain homestead exemptions. 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, subject to certain homestead exemptions.

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. 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. For the 2020 tax rate year, a determination has been made by the District's Board of Directors that the District, as well as the Defined Area, is a Developing District.

Additional Penalties

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

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 taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each local taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units (see "TAX DATA - Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claims 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. 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 (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS -Tax Collection Limitations."

Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District has not adopted an Order regarding the reappraisal of property.

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the 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.

THE SYSTEM

Regulation

According to the District's Engineer, the District's water, wastewater, and drainage facilities including those serving the Defined Area (the "System") have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City of Houston and Fort Bend County.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. Currently, the total ultimate number of equivalent single-family residential connections ("ESFC") estimated at build-out for the District, including the Defined Area, is approximately 1,100 (which includes certain District service agreements with an apartment complex (341 ESFC) and a church (4 ESFC) that are located outside of the District totaling 345 ESFC), which equals a total estimated population of 3,300 people. The following descriptions are based upon information supplied by the District's Engineer.

Description

The System presently serves the entirety of the developable land located within the District, on which 711 fully developed single-family residential lots in Grayson Lakes, Sections 1 through 7 and 9 and Willow Fork Groves, Sections 1 and 2 have been developed. The District financed the cost of underground water distribution, wastewater collection and storm drainage and detention facilities to serve Grayson Lakes, Sections 1 through 7 and 9; certain District costs associated with leasing a water plant and the purchase thereof and a remote water well; certain District costs associated with leasing a wastewater treatment plant and the purchase thereof; a 200,000 gallon ground storage tank; a portion of the costs associated with the acquisition of land for a stormwater detention pond; T-106 drainage channel expansion; Grayson Lakes Phase II drainage, the District's remaining land acquisition costs for detention pond nos. 1 and 2 and lift station nos. 1 through 3, the cost of construction of water plant expansion phase III, and other items with portions of the proceeds of the sale of the prior bonds of the District. The District issued \$3,150,000 Defined Area Unlimited Tax Bonds, Series 2020A, to be secured solely by ad valorem taxes levied and collected within the Defined Area, to finance the construction and acquisition of the North and South storm water detention ponds to serve Willow Fork Groves. The District will use the proceeds of the Bonds to finance a portion of the facilities necessary to serve the Defined Area, including underground water distribution, wastewater collection and storm drainage and detention facilities to serve Willow Fork Groves, Sections 1 and 2; land acquisition costs of South Detention Ponds Reserve H and Detention Reserve D; and improvements to the District's Lift Station 1 and hydropneumatic tank and other facilities. See "THE BONDS - Use and Distribution of Bond Proceeds."

Water Supply

The water supply for the District's customers is currently ground water provided by three wells with a combined capacity of 1,424 gallons-per-minute ("gpm"). The facilities include three ground storage tanks totaling 463,000 gallons, booster pumps aggregating 2,475 gallons-per-minute of capacity and two 10,000 gallon hydropneumatic tanks. According to the District's Engineer, the facilities have capacity sufficient to provide service to 1,000 ESFC. The District will need to either expand the water supply facilities with the addition of a hydropneumatic tank or obtain a re-rating of the capacity of the existing facilities from the TCEQ in order to serve the 1,100 ultimate connections planned for the District. The District has already commenced the design and/or construction of such facility expansion, and intends to be reimbursed for such work from the proceeds of the sale of the Bonds. The District acquired the facility with portions of the proceeds of the sale of the Prior Bonds. Pursuant to certain District service agreements with an apartment complex (341 ESFC) and a church (4 ESFC) that are located outside the District, the facilities also provide such apartment complex and church with 61,125 gallons-per-day (gpd) and 1,500 gpd of water capacity, respectively.

Subsidence and Conversion to Surface Water Supply

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

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

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

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

Wastewater Treatment

Wastewater treatment plant capacity for District customers is currently provided by a 300,000 gallons-per-day (“gpd”) wastewater treatment plant which is adequate for 1,200 ESFC at 250 gpd/ESFC. The District acquired the facility with portions of the proceeds of the sale of the prior bonds of the District. Proceeds of the sale of the Bonds will be utilized to upgrade Lift Station No. 1 to handle additional flows from Willow Fork Groves, Sections 1 & 2. The District has commenced the construction of such facility expansion, and will be reimbursed for such work from the proceeds of the sale of the Bonds. Pursuant to certain District service agreements with the aforementioned apartment complex (341 ESFC) and a church (4 ESFC) that are located outside the District, the facilities also provide such apartment complex and church with 40,750 gallons-per-day (gpd) and 1,000 gpd of wastewater capacity, respectively.

Drainage Improvements

Storm drainage for the District is provided by an internal drainage network, stormwater detention ponds and drainage channels which outfall ultimately into Willow Fork of Buffalo Bayou. The District financed the cost of acquisition or construction of underground storm drainage and detention facilities to serve Grayson Lakes, Sections 1 through 7 and 9, and a portion of the costs associated with the acquisition of land for a stormwater detention pond with a portion of the proceeds of the sale of the Prior Bonds. The District is financing a portion of the costs associated with the acquisition of land for drainage purposes, and will be reimbursed for such work from the proceeds of the sale of the Bonds.

100-Year Flood Plain

According to the District's Engineer, the Federal Emergency Management Agency (“FEMA”) Flood Hazard Boundary Maps currently in effect which cover the land located in the District indicate that the 100-year flood plain within Grayson Lakes, Sections 1 through 7 and 9 is contained within the banks of the detention pond and drainage channel. Part of the Defined Area was within the 100-year flood plain of Willow Fork. Two Letters of Map Revision to remove this area from the flood plain have been approved by FEMA and are effective dated February 14, 2017.

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100 year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. If substantial or frequent flooding of homes were to occur in the area of the District, the marketing of homes and the future growth of property values in the District could be adversely affected. See “INVESTMENT CONSIDERATIONS - Extreme Weather Events.”

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

INVESTMENT CONSIDERATIONS

General

The Bonds, which are special obligations of the District and not of the State of Texas, Fort Bend County, Texas, the City of Houston, the areas of the District other than the Defined Area, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the Defined Area. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the Defined Area taxes levied against

all taxable property located within the Defined Area, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the Defined Area will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of property within the Defined Area is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: A substantial proportion of the assessed valuation of the property located within the Defined Area is attributable to the current market value of single-family residences that have been constructed within the Defined Area and of the single-family residential lots that have been developed by the Developer and of developed lots which have been sold by the Developer to the Builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for homes can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Defined Area or could adversely impact such values. Further fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the values of existing homes. See “Potential Effects of Oil Price Fluctuations on the Houston Area” below. Recent changes in federal tax law limiting deductions for ad valorem taxes may also adversely affect the values of existing homes. Were the District to experience a significant number of residential foreclosures, the value of all homes within the Defined Area could be adversely affected. Although, as is stated in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION” and “BUILDERS,” the Defined Area, as of June 1, 2021, contained a total of 180 fully developed single-family residential lots on which 180 single-family homes have been constructed (including 38 homes currently under construction), the District cannot predict the pace or magnitude of any future development or home construction in the Defined Area other than that which has been undertaken to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. As is described in this Official Statement under the captions “DEVELOPMENT AND HOME CONSTRUCTION” and “BUILDERS,” the Defined Area, as of June 1, 2020, contained a total of 180 fully developed single-family residential lots on which 180 single-family homes have been constructed (including 38 homes currently under construction), the District cannot predict the pace or magnitude of any future development or home construction in the Defined Area other than that which has been undertaken to date. The District cannot predict what impact, if any, a downturn in the local housing markets or a downturn in the national housing and financial markets may have on the Houston market generally and the District specifically. See “TAXING PROCEDURES.”

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on development and homebuilding activity, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale. Interest rate levels may affect the ability of homebuilders to initiate the construction of new homes for sale. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction within the Defined Area. In addition, because the District is located approximately 28 miles west of the central downtown business district of the City of Houston, the success of development within the District and growth of Defined Area taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and further decline in real estate and financial markets in the United States could adversely affect development and homebuilding plans in the Defined Area and restrain the growth of the Defined Area’s property tax base.

Developer/Builder Obligation to the District: The developer of land within the District is HT Flewellen, LP (the “Developer”). Based upon the Defined Area’s 2020 tax roll, Trendmaker Homes, Inc. was the Defined Area’s largest taxpayer with an assessed valuation of \$5,111,680, or approximately 12.15% of the Defined Area’s 2020 tax roll. Based upon the Defined Area’s 2020 tax roll, MHI Partnership, Ltd. was the Defined Area’s second largest taxpayer with an assessed valuation of \$2,317,040, or approximately 5.51% of the Defined Area’s 2020 tax roll. Based upon the Defined Area’s 2020 tax roll, Tri Pointe Homes Texas, Inc. was the Defined Area’s third largest taxpayer and owned land valued at \$925,160, or approximately 2.20% of the Defined Area’s 2020 tax roll. See “DEVELOPMENT AND HOME CONSTRUCTION,” “DEVELOPER” and “TAX DATA - Principal 2020 Taxpayers (Defined Area).” The ability of the Developer, or any other principal taxpayer within the District, including the Defined Area, to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. There is no commitment by or legal requirement of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, including the Defined Area, or of the Builders or any other home building company to proceed at any particular pace with the construction of homes in the District, including the Defined Area, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the Defined Area.

Maximum Impact on District Tax Rates

The value of the land and improvements currently within the Defined Area will be the major determinant of the ability or willingness of Defined Area property owners to pay their taxes. The 2020 Assessed Valuation of property located within the Defined Area is \$42,069,104. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$449,900 (2047) and the average annual debt service requirements will be \$407,005 (2022 through 2047, inclusive). Assuming no increase to nor decrease from the 2020 Assessed Valuation of the Defined Area, Defined Area Tax rates of \$1.13 and \$1.02 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively, on the Bonds and the Outstanding Bonds, assuming no use of other legally available funds on hand, and the issuance of no Defined Area bonds by the District except the Bonds and the Prior Bonds. The 2021 Preliminary Valuation of property located within the Defined Area is \$72,947,523. Assuming no increase to nor decrease from the 2021 Preliminary Valuation of the Defined Area, Defined Area Tax rates of \$0.65 and \$0.59 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Outstanding Bonds, respectively, assuming no use of other legally available funds on hand, and the issuance of no Defined Area bonds by the District except the Bonds and the Prior Bonds. The Estimated Valuation at June 1, 2021, of property located within the Defined Area is \$80,493,363. Assuming no increase to nor decrease from the Estimated Valuation at June 1, 2021, Defined Area Tax rates of \$0.59 and \$0.54 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements on the Bonds and the Outstanding Bonds, respectively, assuming no use of other legally available funds on hand, and the issuance of no Defined Area bonds by the District except the Bonds and the Prior Bonds. See “TAX DATA - Tax Rate Calculations.”

For 2020, the District levied a Defined Area Tax that consisted of a debt service tax of \$0.20 per \$100 of Assessed Valuation and a maintenance tax of \$0.67 per \$100 of Assessed Valuation. The District anticipates levying a Defined Area Tax rate consisting of a debt service tax of \$0.60 per \$100 of Assessed Valuation and a maintenance tax of \$0.27 per \$100 of Assessed Valuation in tax year 2021. As is illustrated above, the anticipated 2021 debt service tax rate will be sufficient to pay the average annual debt service requirements and the maximum annual debt service requirements on the Bonds and the Outstanding Bonds assuming taxable values in the Defined Area at the level of the Estimated Valuation at June 1, 2021, assuming collection of 95% of taxes levied, assuming no use of other legally available funds on hand, and the issuance of no bonds by the Defined Area except the Prior Bonds and the Bonds. As is illustrated under “TAX DATA - Historical Values and Tax Collection History (Defined Area),” the District had collected 100% of its 2018 through 2019 Defined Area tax levies as of May 31, 2021, and its 2020 Defined Area tax levy, which is in the process of collection, was 99.55% collected as of such date. Moreover, the Defined Area’s Debt Service Fund balance was \$222,658 as May 20, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Defined Area Debt Service Fund at any time, the District expects to apply earnings from the investment of monies held in the Defined Area Debt Service Fund to meet the debt service requirements of the Bonds and the Outstanding Bonds. The District has in the past applied earnings from the investment of monies held in the Defined Area Debt Service Fund to meet the debt service requirements of the Prior Bonds as is delineated in “APPENDIX B - INDEPENDENT

AUDITOR'S REPORT AND FINANCIAL STATEMENTS" that is appended to this Official Statement. Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the Defined Area Tax rate for debt service above the debt service rate which the District anticipates levying for 2021 - \$0.60 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the Defined Area will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. The District levied a 2020 District-Wide Tax of \$0.53 per \$100 of Assessed Valuation. District-Wide Taxes levied by the District cannot be used to pay debt service on the Bonds.

The total 2020 District tax rate imposed on the Defined Area is \$1.40 per \$100 of Assessed Valuation (comprised of both the Defined Area Tax and the District-wide Tax). See "THE DISTRICT - Defined Area Development and Taxes." Increases in the District's tax rate to substantially higher levels than the 2020 Defined Area tax rate of \$0.87 per \$100 of Assessed Valuation plus the 2020 District-wide Tax rate of \$0.53 per \$100 of Assessed Valuation may have an adverse impact upon the maintenance of the Assessed Valuation of the Defined Area, and the ability of the District to collect, and the willingness of owners of property located within the Defined Area to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process.

One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the Defined Area as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. See "TAX DATA - Estimated Overlapping Taxes," "TAXING PROCEDURES," and "THE BONDS - Registered Owners' Remedies."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. 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. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the Defined Area or sell property within the Defined Area in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under

federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Registered Owners’ Remedies” and - “Bankruptcy Limitations to Registered Owners’ Rights.”

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The Defined Area

Following the issuance of the Bonds, the District has the right to issue \$13,555,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities to serve the Defined Area and to refund same, \$12,190,000 bonds for recreational facilities to serve the Defined Area and to refund same, and \$11,645,000 bonds for roads to serve the Defined Area and to refund same (see “THE BONDS - Issuance of Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the Defined Area. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining \$13,555,000 bonds for waterworks, wastewater and drainage facilities, \$12,190,000 bonds for recreational facilities and \$11,645,000 for roads which have heretofore been authorized by the District voters within the Defined Area may be issued by the District from time to time as needed. The issuance of such \$13,555,000 bonds for waterworks, wastewater and drainage facilities and \$12,190,000 bonds for recreational facilities is also subject to TCEQ authorization, unless issued for refunding purposes.

The District

The District also has the right to issue the remaining \$8,040,000 authorized but unissued bonds for waterworks, wastewater and drainage facilities to serve the entire District (see “THE BONDS - Issuance of Additional Debt”), and \$13,562,137.50 for refunding purposes, and such additional bonds as may hereafter be approved by both the Board and voters of the District. All of the remaining \$8,040,000 bonds for waterworks, wastewater and drainage facilities which have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such \$8,040,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ authorization.

If additional parity bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, and the District can give no assurance that the home building programs which are planned by the Builders, or any future home builders(s), will be continued or completed. The respective competitive position of the Builders or any other home builders(s) which might attempt future home building projects in the Defined Area in the construction and sale of single-family residential units are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the Defined Area.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, or the adequacy or accuracy of the information contained in this Official Statement.

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 District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

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

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

Extreme Weather Events

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

The greater Houston area, including the District, 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. However, according to the District's Operator and Engineer, the District's System did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes within the District.

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.

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.

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Fort Bend County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the Defined Area. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the Defined Area’s share of operations and maintenance expenses payable from ad valorem taxes.

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.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the Defined Area is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Bond Counsel for the District, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for the information under the subheadings “Book-Entry-Only System” and - “Use and Distribution of Bond Proceeds”), “THE DISTRICT - Defined Area and Reimbursement Agreement, and - Management of the District - Bond Counsel and General Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS - Legal Opinions,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has Bond Counsel 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, other than the matters discussed immediately above.

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-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale. The rating of the Insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for 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 Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the 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 Resolution or if the foregoing representations or report 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 a 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.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below under "Certification as to Official Statement." The summaries of the statutes, agreements, resolutions and engineering and other related reports set forth herein are included 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.

The financial statements of the District as of August 31, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX B."

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT," "DEVELOPMENT AND HOME CONSTRUCTION" and "THE SYSTEM" has been provided by AEI Engineering LLC, a Baxter & Woodman Company, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Tax Tech, Inc. and the Appraisal District. Such information has been included herein in reliance upon Tax Tech, Inc.'s authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter are no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elect 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 so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the "end of the underwriting period."

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT (DEFINED AREA)," "TAX DATA," and in "APPENDIX B - INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021.

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

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February 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 determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a

merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the 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 holders 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 it in accordance with SEC Rule 15c2-12.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 130 as of the date shown on the first page hereof.

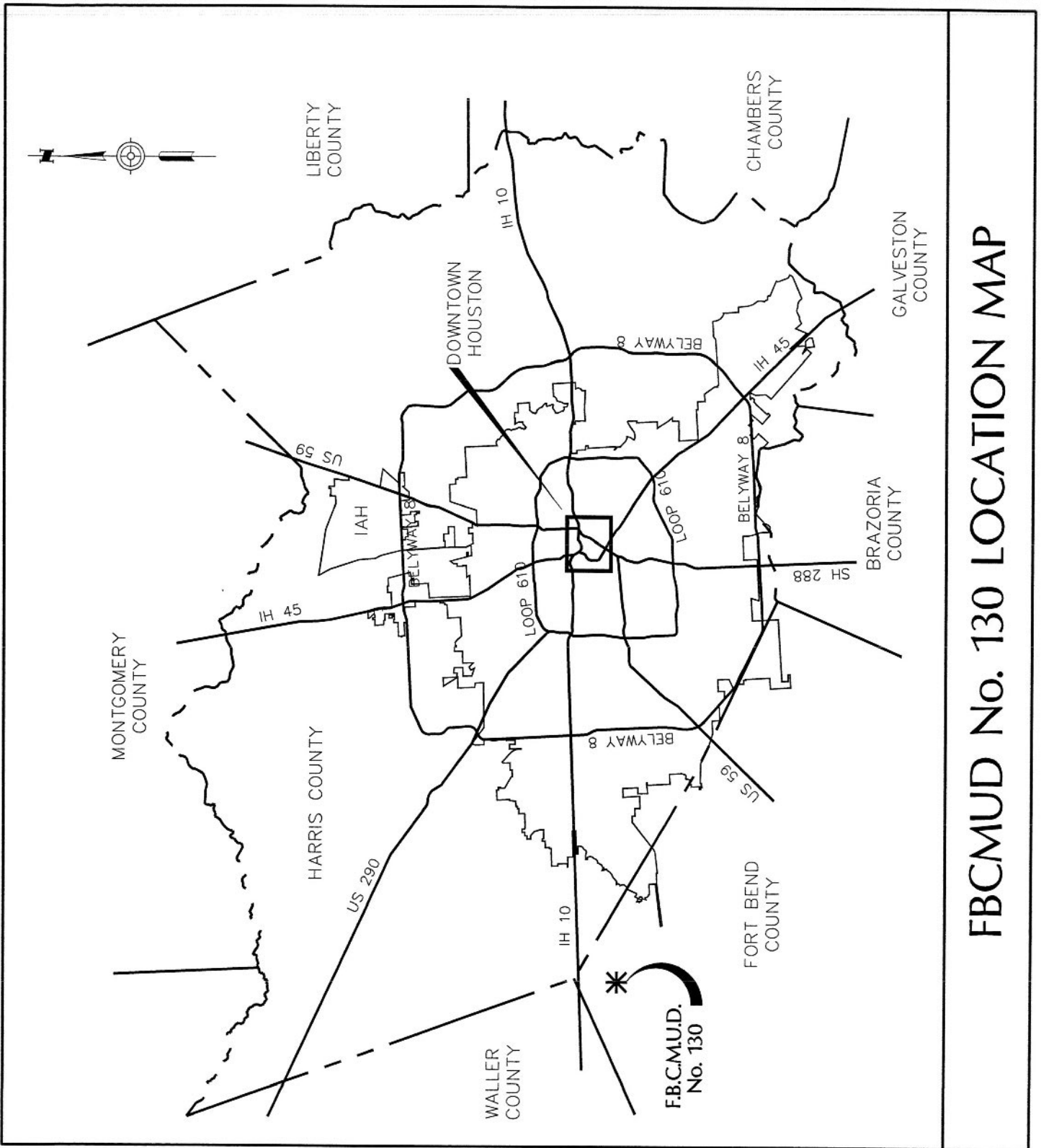
/s/ Daniel Smith
President, Board of Directors
Fort Bend County Municipal Utility District No. 130

ATTEST:

/s/ Michael Rusk
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 130

APPENDIX A

LOCATION MAP



FBCMUD No. 130 LOCATION MAP

APPENDIX B

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 130
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
AUGUST 31, 2020**

Fort Bend County Municipal Utility District No. 130

Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

August 31, 2020



Fort Bend County Municipal Utility District No. 130
August 31, 2020

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Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 130
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. 130 (the District), as of and for the year ended August 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 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 financial statements are free from 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 policies 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 and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance 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 schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
January 7, 2021

Fort Bend County Municipal Utility District No. 130

Management's Discussion and Analysis

August 31, 2020

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

| | 2020 | 2019 |
|---|---------------|---------------|
| Current and other assets | \$ 3,978,061 | \$ 3,825,556 |
| Capital assets | 14,246,838 | 11,938,625 |
| Total assets | 18,224,899 | 15,764,181 |
| Deferred outflows of resources | 219,808 | 245,177 |
| Total assets and deferred outflows of resources | \$ 18,444,707 | \$ 16,009,358 |
| Long-term liabilities | \$ 16,467,759 | \$ 14,007,415 |
| Other liabilities | 537,605 | 283,781 |
| Total liabilities | 17,005,364 | 14,291,196 |
| Deferred inflows of resources | 226,485 | 0 |
| Net position: | | |
| Net investment in capital assets | (1,974,775) | (1,823,613) |
| Restricted | 913,255 | 896,929 |
| Unrestricted | 2,274,378 | 2,644,846 |
| Total net position | \$ 1,212,858 | \$ 1,718,162 |

The total net position of the District decreased by \$505,304, or about 29 percent. The majority of the decrease in net position is related to service operations and debt service expenses in excess of property taxes and charges for services revenues. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

Summary of Changes in Net Position

| | 2020 | 2019 |
|---------------------------------|--------------|--------------|
| Revenues: | | |
| Property taxes | \$ 1,429,152 | \$ 1,343,601 |
| Charges for services | 1,088,520 | 925,153 |
| Other revenues | 208,870 | 207,261 |
| Total revenues | 2,726,542 | 2,476,015 |
| Expenses: | | |
| Services | 2,100,825 | 1,678,292 |
| Depreciation | 377,579 | 375,884 |
| Debt service | 753,442 | 357,954 |
| Total expenses | 3,231,846 | 2,412,130 |
| Change in net position | (505,304) | 63,885 |
| Net position, beginning of year | 1,718,162 | 1,654,277 |
| Net position, end of year | \$ 1,212,858 | \$ 1,718,162 |

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended August 31, 2020, were \$3,429,360, a decrease of \$104,484 from the prior year.

The general fund's fund balance decreased by \$394,724, primarily due to capital outlay expenditures incurred for District facilities.

The debt service fund's fund balance increased by \$202,446, due to property tax revenues generated being greater than bond principal and interest requirements, as well as net proceeds received from the District's sale of the Series 2020A Defined Area Bonds.

The capital projects fund's fund balance increased by \$87,794. This net increase was primarily due to proceeds received from the sale of bonds exceeding debt issuance costs and amounts paid to the District's developer for facilities located within the District's boundaries.

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to regional water fee revenues and expenditures and contracted services and repairs and maintenance expenditures being greater than anticipated and capital outlay expenditures being less than anticipated. The fund balance as of August 31, 2020, was expected to be \$2,251,284 and the actual end-of-year fund balance was \$2,247,227.

Capital Assets and Related Debt

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

Capital Assets (Net of Accumulated Depreciation)

| | 2020 | 2019 |
|--------------------------|----------------------|----------------------|
| Land and improvements | \$ 3,438,226 | \$ 2,681,434 |
| Construction in progress | 308,022 | 21,092 |
| Water facilities | 3,084,336 | 3,043,753 |
| Wastewater facilities | 2,394,344 | 2,280,195 |
| Drainage facilities | 3,134,234 | 2,807,281 |
| Paving improvements | 1,887,676 | 1,104,870 |
| Total capital assets | \$ 14,246,838 | \$ 11,938,625 |

During the current year, additions to capital assets were as follows:

| | |
|--|---------------------|
| Construction in progress related to Gaston Road expansion, lift station No. 1 improvements, wastewater treatment plant rehabilitation, and Willow Fork outfalls Nos. 1 and 2 slope paving improvements | \$ 297,377 |
| 11.6991-acre detention pond North site (Reserve F) | 589,682 |
| 14.6522-acre detention pond North site (Reserve H) | 132,935 |
| Land improvements including ultimate storm water detention to serve Willow Fork Groves | 34,175 |
| Willow Fork Groves, Sections 1 and 2, utilities and paving | 1,642,070 |
| Total additions to capital assets | \$ 2,696,239 |

Developers of the Defined Area (as defined below) within the District have constructed water, sewer, drainage and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues, subject to the approval of the Commission. At August 31, 2020, a liability for developer-constructed capital assets of \$4,077,321 was recorded in the government-wide financial statements.

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

As of August 31, 2020, the developers have advanced \$70,000 to the District for operations (net of repayments) related to the Defined Area, as defined below. These advances have been recorded as liabilities in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended August 31, 2020, are summarized as follows:

| | |
|---|--------------------------|
| Long-term debt payable, beginning of year | \$ 14,007,415 |
| Increases in long-term debt | 8,654,742 |
| Decreases in long-term debt | <u>(6,194,398)</u> |
| Long-term debt payable, end of year | <u>\$ 16,467,759</u> |

At August 31, 2020, the District had \$8,040,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District. In addition, the District had unlimited tax bonds in the amounts of \$17,855,000 for water, sewer and drainage facilities; \$12,190,000 for park and recreation facilities; and \$11,645,000 for road facilities authorized, but unissued, for such acquisition, construction and improvement in the Defined Area.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The Series 2014 refunding bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2020 refunding bonds carry a rating of "AA" from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp.

During the fiscal year ended August 31, 2020, the District issued \$3,905,000 in unlimited tax refunding bonds to refund \$3,730,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$460,304 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$390,185.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. Generally, the District may be annexed by the City without the District's consent and the City cannot annex territory within the District unless it annexes the entire District; however, the City 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

Fort Bend County Municipal Utility District No. 130
Management's Discussion and Analysis (Continued)
August 31, 2020

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 and the District (such agreement is authorized, but no such agreement has been entered into between the City and the District). If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

Fort Bend County Municipal Utility District No. 130
Statement of Net Position and Governmental Funds Balance Sheet
August 31, 2020

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--|---------------------|-------------------------|-----------------------------|---------------------|----------------------|---------------------------------|
| Assets | | | | | | |
| Cash | \$ 273,707 | \$ 284,098 | \$ 151,057 | \$ 708,862 | \$ - | \$ 708,862 |
| Certificates of deposit | 244,892 | 422,884 | - | 667,776 | - | 667,776 |
| Short-term investments | 2,072,857 | 372,698 | - | 2,445,555 | - | 2,445,555 |
| Receivables: | | | | | | |
| Property taxes | 4,051 | 7,045 | - | 11,096 | - | 11,096 |
| Service accounts | 103,694 | - | - | 103,694 | - | 103,694 |
| Accrued interest | 407 | 6,500 | - | 6,907 | - | 6,907 |
| Interfund receivable | 59,763 | 13,218 | - | 72,981 | (72,981) | - |
| Due from others | 3,347 | - | - | 3,347 | - | 3,347 |
| Prepaid expenditures | 30,824 | - | - | 30,824 | - | 30,824 |
| Capital assets (net of accumulated depreciation): | | | | | | |
| Land and improvements | - | - | - | - | 3,438,226 | 3,438,226 |
| Construction in progress | - | - | - | - | 308,022 | 308,022 |
| Infrastructure | - | - | - | - | 8,612,914 | 8,612,914 |
| Paving | - | - | - | - | 1,887,676 | 1,887,676 |
| Total assets | 2,793,542 | 1,106,443 | 151,057 | 4,051,042 | 14,173,857 | 18,224,899 |
| Deferred Outflows of Resources | | | | | | |
| Deferred amount on debt refundings | 0 | 0 | 0 | 0 | 219,808 | 219,808 |
| Total assets and deferred outflows of resources | \$ 2,793,542 | \$ 1,106,443 | \$ 151,057 | \$ 4,051,042 | \$ 14,393,665 | \$ 18,444,707 |

Fort Bend County Municipal Utility District No. 130
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
August 31, 2020

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|---|---------------------|-------------------------|-----------------------------|---------------------|---------------------|---------------------------------|
| Liabilities | | | | | | |
| Accounts payable | \$ 437,696 | \$ 94 | \$ 3,500 | \$ 441,290 | \$ - | \$ 441,290 |
| Accrued interest payable | - | 4,965 | - | 4,965 | - | 4,965 |
| Retainage payable | 23,100 | - | - | 23,100 | - | 23,100 |
| Customer deposits | 45,761 | - | - | 45,761 | - | 45,761 |
| Due to others | 2,049 | - | - | 2,049 | - | 2,049 |
| Unearned tap fees | 20,440 | - | - | 20,440 | - | 20,440 |
| Interfund payable | 13,218 | - | 59,763 | 72,981 | (72,981) | - |
| Long-term liabilities: | | | | | | |
| Due within one year | - | - | - | - | 525,000 | 525,000 |
| Due after one year | - | - | - | - | 15,942,759 | 15,942,759 |
| Total liabilities | 542,264 | 5,059 | 63,263 | 610,586 | 16,394,778 | 17,005,364 |
| Deferred Inflows of Resources | | | | | | |
| Deferred property tax revenues | 4,051 | 7,045 | - | 11,096 | (11,096) | - |
| Deferred amount on debt refunding | - | - | - | - | 226,485 | 226,485 |
| Total deferred inflows of resources | 4,051 | 7,045 | 0 | 11,096 | 215,389 | 226,485 |
| Fund Balances/Net Position | | | | | | |
| Fund balances: | | | | | | |
| Nonspendable, prepaid expenditures | 30,824 | - | - | 30,824 | (30,824) | - |
| Restricted: | | | | | | |
| Unlimited tax bonds | - | 1,094,339 | - | 1,094,339 | (1,094,339) | - |
| Water, sewer and drainage | - | - | 87,794 | 87,794 | (87,794) | - |
| Assigned, capital expenditures | 1,040,000 | - | - | 1,040,000 | (1,040,000) | - |
| Unassigned | 1,176,403 | - | - | 1,176,403 | (1,176,403) | - |
| Total fund balances | 2,247,227 | 1,094,339 | 87,794 | 3,429,360 | (3,429,360) | 0 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,793,542 | \$ 1,106,443 | \$ 151,057 | \$ 4,051,042 | | |
| Net position: | | | | | | |
| Net investment in capital assets | | | | | (1,974,775) | (1,974,775) |
| Restricted for debt service | | | | | 913,249 | 913,249 |
| Restricted for capital projects | | | | | 6 | 6 |
| Unrestricted | | | | | 2,274,378 | 2,274,378 |
| Total net position | | | | | \$ 1,212,858 | \$ 1,212,858 |

Fort Bend County Municipal Utility District No. 130
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended August 31, 2020

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments | Statement of Activities |
|---|---------------------|-------------------------|-----------------------------|---------------------|--------------------|-------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ 502,512 | \$ 873,935 | \$ - | \$ 1,376,447 | \$ 3,165 | \$ 1,379,612 |
| Defined Area property taxes | 49,540 | - | - | 49,540 | - | 49,540 |
| Water service | 357,195 | - | - | 357,195 | - | 357,195 |
| Sewer service | 283,972 | - | - | 283,972 | - | 283,972 |
| Regional water fee | 447,353 | - | - | 447,353 | - | 447,353 |
| Penalty and interest | 10,939 | 4,694 | - | 15,633 | - | 15,633 |
| Tap connection and inspection fees | 112,020 | - | - | 112,020 | - | 112,020 |
| Investment income | 27,229 | 15,069 | 6 | 42,304 | - | 42,304 |
| Other income | 38,913 | - | - | 38,913 | - | 38,913 |
| Total revenues | <u>1,829,673</u> | <u>893,698</u> | <u>6</u> | <u>2,723,377</u> | <u>3,165</u> | <u>2,726,542</u> |
| Expenditures/Expenses | | | | | | |
| Service operations: | | | | | | |
| Regional water fee | 442,385 | - | - | 442,385 | - | 442,385 |
| Professional fees | 183,780 | 744 | - | 184,524 | 122,000 | 306,524 |
| Contracted services | 390,913 | 34,241 | - | 425,154 | - | 425,154 |
| Utilities | 130,326 | - | - | 130,326 | - | 130,326 |
| Repairs and maintenance | 521,559 | - | - | 521,559 | 125,699 | 647,258 |
| Other expenditures | 64,650 | 14,458 | - | 79,108 | - | 79,108 |
| Tap connections | 70,070 | - | - | 70,070 | - | 70,070 |
| Capital outlay | 420,714 | - | 2,532,477 | 2,953,191 | (2,953,191) | - |
| Depreciation | - | - | - | - | 377,579 | 377,579 |
| Debt service: | | | | | | |
| Principal retirement | - | 540,000 | - | 540,000 | (540,000) | - |
| Interest and fees | - | 296,222 | - | 296,222 | 36,677 | 332,899 |
| Debt issuance costs | - | 167,143 | 253,400 | 420,543 | - | 420,543 |
| Debt defeasance | - | 1,000 | - | 1,000 | (1,000) | - |
| Total expenditures/expenses | <u>2,224,397</u> | <u>1,053,808</u> | <u>2,785,877</u> | <u>6,064,082</u> | <u>(2,832,236)</u> | <u>3,231,846</u> |
| Deficiency of Revenues Over Expenditures | <u>(394,724)</u> | <u>(160,110)</u> | <u>(2,785,871)</u> | <u>(3,340,705)</u> | <u>2,835,401</u> | |
| Other Financing Sources (Uses) | | | | | | |
| General obligation bonds issued | - | 4,093,135 | 2,961,865 | 7,055,000 | (7,055,000) | |
| Discount on debt issued | - | - | (88,200) | (88,200) | 88,200 | |
| Premium on debt issued | - | 53,957 | - | 53,957 | (53,957) | |
| Deposit with escrow agent | - | (3,784,536) | - | (3,784,536) | 3,784,536 | |
| Total other financing sources | <u>0</u> | <u>362,556</u> | <u>2,873,665</u> | <u>3,236,221</u> | <u>(3,236,221)</u> | |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>(394,724)</u> | <u>202,446</u> | <u>87,794</u> | <u>(104,484)</u> | <u>104,484</u> | |
| Change in Net Position | | | | | <u>(505,304)</u> | <u>(505,304)</u> |
| Fund Balances/Net Position | | | | | | |
| Beginning of year | 2,641,951 | 891,893 | - | 3,533,844 | - | 1,718,162 |
| End of year | <u>\$ 2,247,227</u> | <u>\$ 1,094,339</u> | <u>\$ 87,794</u> | <u>\$ 3,429,360</u> | <u>\$ 0</u> | <u>\$ 1,212,858</u> |

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Fort Bend County Municipal Utility District No. 130 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective June 26, 2001, in accordance with the Texas Water Code, Chapter 54, as amended. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7994 of the Texas Special District Local Laws Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District, including the Defined Area. In 2018, pursuant to Section 7994.055 of the Texas Special District Local Laws Code, the District created a special defined area within the District (the Defined Area) over an approximate 109.3774-acre tract located within the District. In addition, as to the Defined Area, the District also provides road and recreation facilities. The District also provides solid waste disposal services.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District and the Defined Area which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation for both the District as a whole and land within the Defined Area is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended August 31, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended August 31, 2020, the 2019 District and Defined Area tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

| | <u>Years</u> |
|--|--------------|
| Water production and distribution facilities | 10-45 |
| Wastewater collection and treatment facilities | 10-45 |
| Drainage facilities | 10-45 |

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

| | |
|--|------------------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | \$ 14,246,838 |
| Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements. | 11,096 |
| Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds. | 219,808 |
| Long-term debt obligations are not due and payable in the current year and are not reported in the funds. | <u>(16,467,759)</u> |
| Adjustment to fund balances to arrive at net position. | <u><u>\$ (1,990,017)</u></u> |

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because of the following.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

| | |
|---|----------------------------|
| Change in fund balances. | \$ (104,484) |
| Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense and noncapitalized costs in the current year. | 2,449,913 |
| Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | 34,243 |
| Governmental funds report proceeds from sales of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position. | (2,729,464) |
| Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities. | 3,165 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>(36,677)</u> |
| Change in net position of governmental activities. | <u><u>\$ (505,304)</u></u> |

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At August 31, 2020, none of the District's bank balances were exposed to custodial credit risk.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and 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, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At August 31, 2020, the District had the following investments and maturities:

| Type | Maturities in Years | | | | |
|---------|---------------------|----------------|------|------|-----------------|
| | Amortized Cost | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| TexSTAR | \$ 2,445,555 | \$ 2,445,555 | \$ 0 | \$ 0 | \$ 0 |

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At August 31, 2020, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at August 31, 2020, as follows.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

| | |
|-----------------|----------------------------|
| Carrying value: | |
| Deposits | \$ 1,376,638 |
| Investments | <u>2,445,555</u> |
| Total | <u><u>\$ 3,822,193</u></u> |

Included in the following statement of net position captions:

| | |
|-------------------------|----------------------------|
| Cash | \$ 708,862 |
| Certificates of deposit | 667,776 |
| Short-term investments | <u>2,445,555</u> |
| Total | <u><u>\$ 3,822,193</u></u> |

Investment Income

Investment income of \$42,304 for the year ended August 31, 2020, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended August 31, 2020, is presented below:

| Governmental Activities | Balances, Beginning of Year | Additions | Retirements | Balances, End of Year |
|--|-----------------------------------|----------------------------|---------------------------|-----------------------------|
| Capital assets, non-depreciable: | | | | |
| Land and improvements | \$ 2,681,434 | \$ 756,792 | \$ - | \$ 3,438,226 |
| Construction in progress | 21,092 | 297,377 | (10,447) | 308,022 |
| Total capital assets, non-depreciable | <u>2,702,526</u> | <u>1,054,169</u> | <u>(10,447)</u> | <u>3,746,248</u> |
| Capital assets, depreciable: | | | | |
| Water production and distribution facilities | 4,670,675 | 175,296 | - | 4,845,971 |
| Wastewater collection and treatment facilities | 3,613,935 | 213,898 | - | 3,827,833 |
| Drainage facilities | 4,096,921 | 428,538 | - | 4,525,459 |
| Paving | 1,163,021 | 824,338 | - | 1,987,359 |
| Total capital assets, depreciable | <u>13,544,552</u> | <u>1,642,070</u> | <u>0</u> | <u>15,186,622</u> |
| Less accumulated depreciation: | | | | |
| Water production and distribution facilities | (1,626,922) | (134,713) | - | (1,761,635) |
| Wastewater collection and treatment facilities | (1,333,740) | (99,749) | - | (1,433,489) |
| Drainage facilities | (1,289,640) | (101,585) | - | (1,391,225) |
| Paving | (58,151) | (41,532) | - | (99,683) |
| Total accumulated depreciation | <u>(4,308,453)</u> | <u>(377,579)</u> | <u>0</u> | <u>(4,686,032)</u> |
| Total governmental activities, net | <u><u>\$ 11,938,625</u></u> | <u><u>\$ 2,318,660</u></u> | <u><u>\$ (10,447)</u></u> | <u><u>\$ 14,246,838</u></u> |

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended August 31, 2020, were as follows:

| Governmental Activities | Balances, Beginning of Year | Increases | Decreases | Balances, End of Year | Amounts Due in One Year |
|---|--|-------------------------|-------------------------|--------------------------------------|--|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 9,340,000 | \$ 3,905,000 | \$ 4,270,000 | \$ 8,975,000 | \$ 525,000 |
| Defined Area general obligation bonds | - | 3,150,000 | - | 3,150,000 | - |
| Less discounts on bonds | - | 88,200 | - | 88,200 | - |
| Add premiums on bonds | 513,531 | 53,957 | 283,850 | 283,638 | - |
| | <u>9,853,531</u> | <u>7,020,757</u> | <u>4,553,850</u> | <u>12,320,438</u> | <u>525,000</u> |
| Developer advances | 70,000 | - | - | 70,000 | - |
| Due to developer | <u>4,083,884</u> | <u>1,633,985</u> | <u>1,640,548</u> | <u>4,077,321</u> | <u>-</u> |
| Total governmental activities long-term liabilities | <u>\$ 14,007,415</u> | <u>\$ 8,654,742</u> | <u>\$ 6,194,398</u> | <u>\$ 16,467,759</u> | <u>\$ 525,000</u> |

General Obligation Bonds

| | Refunding Series 2014 | Refunding Series 2020 |
|--|----------------------------------|----------------------------------|
| Amounts outstanding, August 31, 2020 | \$5,135,000 | \$3,840,000 |
| Interest rates | 2.00% to 4.00% | 2.00% |
| Maturity dates, serially beginning/ending | September 1, 2021/2034 | September 1, 2021/2033 |
| Interest payment dates | March 1/ September 1 | March 1/ September 1 |
| Callable dates* | September 1, 2021 | September 1, 2025 |

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

| | Defined Area Series 2020A |
|--|--------------------------------------|
| Amount outstanding, August 31, 2020 | \$3,150,000 |
| Interest rates | 1.75% to 3.40% |
| Maturity dates, serially beginning/ending | September 1, 2022/2046 |
| Interest payment dates | March 1/ September 1 |
| Callable date* | September 1, 2025 |

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The District has been paying the amount due September 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in future years. The following schedule shows the annual debt service requirements to pay principal and interest on general obligation and Defined Area general obligation bonds outstanding at August 31, 2020:

| Year | General Obligation | | Defined Area General Obligation | | Total |
|-----------|--------------------|--------------|---------------------------------|--------------|---------------|
| | Principal | Interest | Principal | Interest | |
| 2021 | \$ 525,000 | \$ 270,925 | \$ - | \$ 101,906 | \$ 897,831 |
| 2022 | 545,000 | 257,775 | 75,000 | 94,068 | 971,843 |
| 2023 | 550,000 | 244,075 | 80,000 | 92,755 | 966,830 |
| 2024 | 565,000 | 230,225 | 80,000 | 91,155 | 966,380 |
| 2025 | 585,000 | 214,575 | 85,000 | 89,475 | 974,050 |
| 2026-2030 | 3,215,000 | 801,500 | 480,000 | 415,915 | 4,912,415 |
| 2031-2035 | 2,990,000 | 266,600 | 580,000 | 345,435 | 4,182,035 |
| 2036-2040 | - | - | 710,000 | 250,105 | 960,105 |
| 2041-2045 | - | - | 865,000 | 123,430 | 988,430 |
| 2046 | - | - | 195,000 | 6,630 | 201,630 |
| Total | \$ 8,975,000 | \$ 2,285,675 | \$ 3,150,000 | \$ 1,610,874 | \$ 16,021,549 |

The District's Refunding Series 2014 and Refunding Series 2020 bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District (including the Defined Area) subject to taxation, without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

The Defined Area Series 2020A bonds are solely payable from the proceeds of an ad valorem tax levied upon property within the Defined Area subject to taxation, without limitation as to rate or amount.

| | |
|---|---------------|
| Water/sewer/drainage facilities bonds voted for the District | \$ 22,000,000 |
| Water/sewer/drainage facilities bonds sold for the District | 13,960,000 |
| Water/sewer/drainage facilities refunding bonds voted for the District | 14,300,000 |
| Water/sewer/drainage facilities refunding bonds authorization used for the District | 484,194 |

In addition to the above-described bonds, the following bonds were voted to serve the Defined Area and are payable from the proceeds of an ad valorem tax levied solely upon all property within the Defined Area subject to taxation, without limitation as to rate or amount.

| | |
|---|---------------|
| Defined Area water/sewer/drainage facilities and related refunding | \$ 21,005,000 |
| Defined Area water/sewer/drainage facilities bond authorization used for the District | 3,150,000 |
| Defined Area park/recreational facilities and related refunding | 12,190,000 |
| Defined Area road facilities and related refunding | 11,645,000 |

Due to Developers

Developers of the Defined Area with the District have constructed water, sewer, drainage and paving facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues, subject to the approval of the Commission. At August 31, 2020, a liability for developer-constructed capital assets of \$4,077,321 was recorded in the government-wide financial statements.

As of August 31, 2020, the developers have advanced \$70,000 to the District for operations (net of repayments) related to the Defined Area. These advances have been recorded as liabilities in the government-wide financial statements.

Note 5: Significant Bond Resolution and Commission Requirements

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended August 31, 2020, the District levied an ad valorem debt service tax at the rate of \$0.4000 per \$100 of assessed valuation, which resulted in a tax levy of \$875,945 on the taxable valuation of \$218,986,221 for the 2019 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$835,992. As of the year ended August 31, 2020, the District had not levied an ad valorem debt service tax for the Defined Area Series 2020A Bonds.

Fort Bend County Municipal Utility District No. 130

Notes to Financial Statements

August 31, 2020

Note 6: Maintenance Taxes

At an election held August 11, 2001, voters authorized a maintenance tax for the District not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended August 31, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.2300 per \$100 of assessed valuation, which resulted in a tax levy of \$503,668 on the taxable valuation of \$218,986,221 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held on November 6, 2018, voters authorized the following additional maintenance taxes for facilities to serve the Defined Area: (i) a maintenance tax for facilities to serve the Defined Area that are authorized by Article XVI, Section 59, of the Texas Constitution not to exceed \$1.00 per \$100 valuation on all property within the Defined Area subject to taxation; and (ii) a maintenance tax for road facilities to serve the Defined Area that are authorized by Article III, Section 52, of the Texas Constitution not to exceed \$0.25 per \$100 valuation on all property within the Defined Area subject to taxation. During the year ended August 31, 2020, the District levied a Defined Area ad valorem maintenance tax at the rate of \$0.87 per \$100 of assessed valuation, which resulted in a tax levy of \$49,540 on the taxable valuation of \$5,694,271 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the Defined Area.

Note 7: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 8: Regional Water Authority

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. As of August 31, 2020, the Authority was billing the District \$3.95 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

Fort Bend County Municipal Utility District No. 130
Notes to Financial Statements
August 31, 2020

Note 9: Refunding Bonds

During the fiscal year ended August 31, 2020, the District issued \$3,905,000 in unlimited tax refunding bonds to refund \$3,730,000 of outstanding Series 2012 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by \$460,304 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$390,185.

Note 10: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 11: Subsequent Event

On October 15, 2020, the District levied, in addition to the District-wide tax rate, an ad valorem tax of \$0.87 on each \$100 of taxable value within the Defined Area for the tax year 2020 consisting of the following components: (1) \$0.20 to pay the debt service required for the Defined Area bonds, and (2) \$0.67 to fund the Defined Area's maintenance and operation expenditures.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 130
Budgetary Comparison Schedule – General Fund
Year Ended August 31, 2020

| | Original Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---------------------|---|
| Revenues | | | |
| Property taxes | \$ 498,638 | \$ 502,512 | \$ 3,874 |
| Defined Area property taxes | 49,045 | 49,540 | 495 |
| Water service | 351,500 | 357,195 | 5,695 |
| Sewer service | 300,000 | 283,972 | (16,028) |
| Regional water fee | 365,000 | 447,353 | 82,353 |
| Penalty and interest | 15,000 | 10,939 | (4,061) |
| Tap connection and inspection fees | 100,000 | 112,020 | 12,020 |
| Investment income | 50,000 | 27,229 | (22,771) |
| Other income | 10,650 | 38,913 | 28,263 |
| | <u>1,739,833</u> | <u>1,829,673</u> | <u>89,840</u> |
| Total revenues | | | |
| Expenditures | | | |
| Service operations: | | | |
| Regional water fee | 365,000 | 442,385 | (77,385) |
| Professional fees | 188,500 | 183,780 | 4,720 |
| Contracted services | 340,000 | 390,913 | (50,913) |
| Utilities | 135,000 | 130,326 | 4,674 |
| Repairs and maintenance | 446,500 | 521,559 | (75,059) |
| Other expenditures | 70,500 | 64,650 | 5,850 |
| Tap connections | 60,000 | 70,070 | (10,070) |
| Capital outlay | 525,000 | 420,714 | 104,286 |
| | <u>2,130,500</u> | <u>2,224,397</u> | <u>(93,897)</u> |
| Total expenditures | | | |
| Deficiency of Revenues Over Expenditures | (390,667) | (394,724) | (4,057) |
| Fund Balance, Beginning of Year | <u>2,641,951</u> | <u>2,641,951</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 2,251,284</u> | <u>\$ 2,247,227</u> | <u>\$ (4,057)</u> |

Fort Bend County Municipal Utility District No. 130
Notes to Required Supplementary Information
August 31, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund of both the District and Defined Area by the District's Board of Directors and its consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Other Information

Fort Bend County Municipal Utility District No. 130
Other Schedules Included Within This Report
August 31, 2020

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Fort Bend County Municipal Utility District No. 130

Schedule of Services and Rates

Year Ended August 31, 2020

1. Services provided by the District:

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

2. Retail service providers

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

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate Y/N</u> | <u>Rate Per 1,000 Gallons Over Minimum</u> | <u>Usage Levels</u> |
|---------------------|-----------------------|----------------------|----------------------|--|---------------------|
| Water: | \$ 20.00 | 5,000 | N | \$ 2.70 | 5,001 to 10,000 |
| | | | | \$ 3.00 | 10,001 to 20,000 |
| | | | | \$ 3.15 | 20,001 to 50,000 |
| | | | | \$ 3.30 | 50,001 to 75,000 |
| | | | | \$ 3.60 | 75,001 to No Limit |
| Wastewater: | \$ 23.50 | 5,000 | N | \$ 2.50 | 5,001 to No Limit |
| Regional water fee: | \$ 4.35 | 1 | N | \$ 4.35 | 1,001 to No Limit |

Does the District employ winter averaging for wastewater usage?

Yes No

Total charges per 10,000 gallons usage (including fees):

Water \$ 77.00 Wastewater \$ 36.00

b. Water and wastewater retail connections:

| <u>Meter Size</u> | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFC*</u> |
|-------------------|--------------------------|---------------------------|--------------------|---------------------|
| Unmetered | - | - | x1.0 | - |
| ≤ 3/4" | 541 | 540 | x1.0 | 540 |
| 1" | 159 | 159 | x2.5 | 398 |
| 1 1/2" | 1 | 1 | x5.0 | 5 |
| 2" | 13 | 13 | x8.0 | 104 |
| 3" | 4 | 4 | x15.0 | 60 |
| 4" | - | - | x25.0 | - |
| 6" | - | - | x50.0 | - |
| 8" | - | - | x80.0 | - |
| 10" | - | - | x115.0 | - |
| 12" | 1 | 1 | x155.0 | 155 |
| Total water | 719 | 718 | | 1,262 |
| Total wastewater | 672 | 671 | x1.0 | 671 |

3. Total water consumption (in thousands) during the fiscal year:

| | |
|---|---------|
| Gallons pumped into the system: | 114,646 |
| Gallons billed to customers: | 104,684 |
| Water accountability ratio (gallons billed/gallons pumped): | 91.31% |

*"ESFC" means equivalent single-family connections

**As to the Defined Area

Fort Bend County Municipal Utility District No. 130
Schedule of General Fund Expenditures
Year Ended August 31, 2020

| | | | |
|---|----|-----------|------------------|
| Personnel (including benefits) | | \$ | - |
| Professional Fees | | | |
| Auditing | \$ | 18,900 | |
| Legal | | 86,442 | |
| Engineering | | 78,438 | |
| Financial advisor | | - | 183,780 |
| | | <hr/> | |
| Purchased Services for Resale | | | |
| Bulk water and wastewater service purchases | | | - |
| Regional Water Fee | | | 442,385 |
| Contracted Services | | | |
| Bookkeeping | | 19,894 | |
| General manager | | - | |
| Appraisal district | | - | |
| Tax collector | | - | |
| Security | | 99,642 | |
| Other contracted services | | 106,924 | 226,460 |
| | | <hr/> | |
| Utilities | | | 130,326 |
| Repairs and Maintenance | | | 521,559 |
| Administrative Expenditures | | | |
| Directors' fees | | 6,450 | |
| Office supplies | | 11,399 | |
| Insurance | | 25,441 | |
| Other administrative expenditures | | 21,360 | 64,650 |
| | | <hr/> | |
| Capital Outlay | | | |
| Capitalized assets | | 305,461 | |
| Expenditures not capitalized | | 115,253 | 420,714 |
| | | <hr/> | |
| Tap Connection Expenditures | | | 70,070 |
| Solid Waste Disposal | | | 164,453 |
| Fire Fighting | | | - |
| Parks and Recreation | | | - |
| Other Expenditures | | | - |
| | | | <hr/> |
| Total expenditures | | <u>\$</u> | <u>2,224,397</u> |

Fort Bend County Municipal Utility District No. 130
Schedule of Temporary Investments
August 31, 2020

| | Interest Rate | Maturity Date | Face Amount | Accrued Interest Receivable |
|--------------------------|--------------------------|--------------------------|------------------------|--|
| General Fund | | | | |
| Certificate of Deposit | | | | |
| No. 6605012378 | 0.75% | 08/09/21 | \$ 244,892 | \$ 407 |
| TexSTAR | 0.16% | Demand | <u>2,072,857</u> | <u>-</u> |
| | | | <u>2,317,749</u> | <u>407</u> |
| Debt Service Fund | | | | |
| Certificates of Deposit | | | | |
| No. 1852005511 | 2.20% | 10/07/20 | 209,622 | 4,157 |
| No. 36000801 | 2.45% | 10/08/20 | 105,695 | 2,327 |
| No. 95900011930771 | 0.70% | 08/23/21 | 107,567 | 16 |
| TexSTAR | 0.16% | Demand | <u>372,698</u> | <u>-</u> |
| | | | <u>795,582</u> | <u>6,500</u> |
| Totals | | | <u>\$ 3,113,331</u> | <u>\$ 6,907</u> |

Fort Bend County Municipal Utility District No. 130
Analysis of Taxes Levied and Receivable
Year Ended August 31, 2020

| | Maintenance Taxes | Debt Service Taxes |
|---|------------------------------|-----------------------------------|
| Receivable, Beginning of Year | \$ 2,895 | \$ 5,036 |
| Additions and corrections to prior years' taxes | - | (1) |
| Adjusted receivable, beginning of year | 2,895 | 5,035 |
| 2019 Original Tax Levy | 502,733 | 874,318 |
| Additions and corrections | 935 | 1,627 |
| Adjusted tax levy | 503,668 | 875,945 |
| Total to be accounted for | 506,563 | 880,980 |
| Tax collections: Current year | (500,856) | (871,055) |
| Prior years | (1,656) | (2,880) |
| Receivable, end of year | \$ 4,051 | \$ 7,045 |
| Receivable, by Years | | |
| 2019 | \$ 2,812 | \$ 4,890 |
| 2018 | 1,239 | 2,155 |
| Receivable, end of year | \$ 4,051 | \$ 7,045 |

Fort Bend County Municipal Utility District No. 130
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2020

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Property Valuations | | | | |
| Land | \$ 43,516,620 | \$ 40,408,230 | \$ 37,861,190 | \$ 37,885,320 |
| Improvements | 178,285,381 | 172,387,770 | 171,861,170 | 174,976,650 |
| Personal property | 1,247,460 | 1,276,670 | 1,076,180 | 1,099,125 |
| Exemptions | <u>(4,063,240)</u> | <u>(3,966,784)</u> | <u>(3,415,325)</u> | <u>(2,666,340)</u> |
| Total property valuations | <u>\$ 218,986,221</u> | <u>\$ 210,105,886</u> | <u>\$ 207,383,215</u> | <u>\$ 211,294,755</u> |
| Tax Rates per \$100 Valuation | | | | |
| Debt service tax rates | \$ 0.4000 | \$ 0.4000 | \$ 0.4000 | \$ 0.4000 |
| Maintenance tax rates* | <u>0.2300</u> | <u>0.2300</u> | <u>0.2300</u> | <u>0.2300</u> |
| Total tax rates per \$100 valuation | <u>\$ 0.6300</u> | <u>\$ 0.6300</u> | <u>\$ 0.6300</u> | <u>\$ 0.6300</u> |
| Tax Levy | <u>\$ 1,379,613</u> | <u>\$ 1,323,667</u> | <u>\$ 1,306,514</u> | <u>\$ 1,331,156</u> |
| Percent of Taxes Collected to Taxes Levied** | | | | |
| | <u>99%</u> | <u>99%</u> | <u>100%</u> | <u>100%</u> |

*Maximum tax rate approved by voters: \$1.50 on August 11, 2001

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

Fort Bend County Municipal Utility District No. 130
Analysis of Taxes Levied and Receivable (Continued)
Year Ended August 31, 2020

| | Defined Area No. 1 Taxes | |
|--|---|--------------|
| Receivable, Beginning of Year | \$ | 0 |
| 2019 Original Tax Levy | | 49,540 |
| Current year tax collections | | (49,540) |
| Receivable, end of year | \$ | 0 |
| Property Valuations - Defined Area No. 1 | | |
| | 2019 | 2018 |
| Land | \$ 5,655,420 | \$ 2,547,020 |
| Improvements | 43,191 | - |
| Personal property | - | - |
| Exemptions | (4,340) | - |
| Total property valuations | \$ 5,694,271 | \$ 2,547,020 |
| Tax Rates per \$100 Valuation | | |
| Road facilities maintenance tax rate* | \$ - | \$ - |
| Maintenance tax rates** | 0.8700 | 0.8700 |
| Total tax rates per \$100 valuation | \$ 0.8700 | \$ 0.8700 |
| Tax Levy | \$ 49,540 | \$ 22,159 |
| Percent of Taxes Collected to Taxes Levied*** | 100% | 100% |

*Maximum tax rate approved by voters: \$0.25 on November 6, 2018
**Maximum tax rate approved by voters: \$1.00 on November 6, 2018
***Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Fort Bend County Municipal Utility District No. 130
Schedule of Long-term Debt Service Requirements by Years
August 31, 2020

| Due During Fiscal Years Ending August 31 | Refunding Series 2014 | | |
|---|--|--|---------------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2021 | \$ 265,000 | \$ 194,125 | \$ 459,125 |
| 2022 | 280,000 | 186,175 | 466,175 |
| 2023 | 285,000 | 177,775 | 462,775 |
| 2024 | 290,000 | 169,225 | 459,225 |
| 2025 | 305,000 | 159,075 | 464,075 |
| 2026 | 315,000 | 148,400 | 463,400 |
| 2027 | 330,000 | 135,800 | 465,800 |
| 2028 | 340,000 | 122,600 | 462,600 |
| 2029 | 355,000 | 109,000 | 464,000 |
| 2030 | 370,000 | 94,800 | 464,800 |
| 2031 | 380,000 | 80,000 | 460,000 |
| 2032 | 395,000 | 64,800 | 459,800 |
| 2033 | 405,000 | 49,000 | 454,000 |
| 2034 | 820,000 | 32,800 | 852,800 |
| Totals | <u>\$ 5,135,000</u> | <u>\$ 1,723,575</u> | <u>\$ 6,858,575</u> |

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Fort Bend County Municipal Utility District No. 130
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

| Due During Fiscal Years Ending August 31 | Refunding Series 2020 | | |
|--|---------------------------------|---|--------------|
| | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2021 | \$ 260,000 | \$ 76,800 | \$ 336,800 |
| 2022 | 265,000 | 71,600 | 336,600 |
| 2023 | 265,000 | 66,300 | 331,300 |
| 2024 | 275,000 | 61,000 | 336,000 |
| 2025 | 280,000 | 55,500 | 335,500 |
| 2026 | 285,000 | 49,900 | 334,900 |
| 2027 | 290,000 | 44,200 | 334,200 |
| 2028 | 305,000 | 38,400 | 343,400 |
| 2029 | 310,000 | 32,300 | 342,300 |
| 2030 | 315,000 | 26,100 | 341,100 |
| 2031 | 320,000 | 19,800 | 339,800 |
| 2032 | 330,000 | 13,400 | 343,400 |
| 2033 | 340,000 | 6,800 | 346,800 |
| Totals | \$ 3,840,000 | \$ 562,100 | \$ 4,402,100 |

The District pays the amount due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Fort Bend County Municipal Utility District No. 130
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

| Defined Area Series 2020A | | | |
|---|--|--|---------------------|
| Due During Fiscal Years Ending August 31 | Principal Due September 1 | Interest Due March 1, September 1 | Total |
| 2021 | \$ - | \$ 101,906 | \$ 101,906 |
| 2022 | 75,000 | 94,068 | 169,068 |
| 2023 | 80,000 | 92,755 | 172,755 |
| 2024 | 80,000 | 91,155 | 171,155 |
| 2025 | 85,000 | 89,475 | 174,475 |
| 2026 | 90,000 | 87,605 | 177,605 |
| 2027 | 90,000 | 85,535 | 175,535 |
| 2028 | 95,000 | 83,375 | 178,375 |
| 2029 | 100,000 | 81,000 | 181,000 |
| 2030 | 105,000 | 78,400 | 183,400 |
| 2031 | 110,000 | 75,565 | 185,565 |
| 2032 | 110,000 | 72,485 | 182,485 |
| 2033 | 115,000 | 69,295 | 184,295 |
| 2034 | 120,000 | 65,845 | 185,845 |
| 2035 | 125,000 | 62,245 | 187,245 |
| 2036 | 130,000 | 58,495 | 188,495 |
| 2037 | 135,000 | 54,465 | 189,465 |
| 2038 | 140,000 | 50,280 | 190,280 |
| 2039 | 150,000 | 45,870 | 195,870 |
| 2040 | 155,000 | 40,995 | 195,995 |
| 2041 | 160,000 | 35,880 | 195,880 |
| 2042 | 165,000 | 30,600 | 195,600 |
| 2043 | 175,000 | 24,990 | 199,990 |
| 2044 | 180,000 | 19,040 | 199,040 |
| 2045 | 185,000 | 12,920 | 197,920 |
| 2046 | 195,000 | 6,630 | 201,630 |
| Totals | <u>\$ 3,150,000</u> | <u>\$ 1,610,874</u> | <u>\$ 4,760,874</u> |

The District pays the amount from revenues collected from ad valorem taxes collected solely from the Defined Area due September 1 prior to that date. This schedule has been prepared assuming this practice will continue in the future.

Fort Bend County Municipal Utility District No. 130
Schedule of Long-term Debt Service Requirements by Years (Continued)
August 31, 2020

| Due During Fiscal Years Ending August 31 | Annual Requirements For All Series | | |
|--|------------------------------------|--------------------------|--|
| | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
| 2021 | \$ 525,000 | \$ 372,831 | \$ 897,831 |
| 2022 | 620,000 | 351,843 | 971,843 |
| 2023 | 630,000 | 336,830 | 966,830 |
| 2024 | 645,000 | 321,380 | 966,380 |
| 2025 | 670,000 | 304,050 | 974,050 |
| 2026 | 690,000 | 285,905 | 975,905 |
| 2027 | 710,000 | 265,535 | 975,535 |
| 2028 | 740,000 | 244,375 | 984,375 |
| 2029 | 765,000 | 222,300 | 987,300 |
| 2030 | 790,000 | 199,300 | 989,300 |
| 2031 | 810,000 | 175,365 | 985,365 |
| 2032 | 835,000 | 150,685 | 985,685 |
| 2033 | 860,000 | 125,095 | 985,095 |
| 2034 | 940,000 | 98,645 | 1,038,645 |
| 2035 | 125,000 | 62,245 | 187,245 |
| 2036 | 130,000 | 58,495 | 188,495 |
| 2037 | 135,000 | 54,465 | 189,465 |
| 2038 | 140,000 | 50,280 | 190,280 |
| 2039 | 150,000 | 45,870 | 195,870 |
| 2040 | 155,000 | 40,995 | 195,995 |
| 2041 | 160,000 | 35,880 | 195,880 |
| 2042 | 165,000 | 30,600 | 195,600 |
| 2043 | 175,000 | 24,990 | 199,990 |
| 2044 | 180,000 | 19,040 | 199,040 |
| 2045 | 185,000 | 12,920 | 197,920 |
| 2046 | 195,000 | 6,630 | 201,630 |
| Totals | <u>\$ 12,125,000</u> | <u>\$ 3,896,549</u> | <u>\$ 16,021,549</u> |

Fort Bend County Municipal Utility District No. 130
Changes in Long-term Bonded Debt
Year Ended August 31, 2020

| | Bond Issues | | | | Totals |
|--|------------------------------|------------------------------|------------------------------|----------------------------------|----------------------|
| | Refunding Series 2012 | Refunding Series 2014 | Refunding Series 2020 | Defined Area Series 2020A | |
| Interest rates | | 2.00% to 4.00% | 2.00% | 1.75% to 3.40% | |
| Dates interest payable | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | |
| Maturity dates | | September 1, 2021/2034 | September 1, 2021/2033 | September 1, 2021/2046 | |
| Bonds outstanding, beginning of current year | \$ 3,940,000 | \$ 5,400,000 | \$ - | \$ - | \$ 9,340,000 |
| Bonds sold during current year | - | - | 3,905,000 | 3,150,000 | 7,055,000 |
| Bonds refunded during current year | 3,730,000 | - | - | - | 3,730,000 |
| Retirements, principal | 210,000 | 265,000 | 65,000 | - | 540,000 |
| Bonds outstanding, end of current year | <u>\$ 0</u> | <u>\$ 5,135,000</u> | <u>\$ 3,840,000</u> | <u>\$ 3,150,000</u> | <u>\$ 12,125,000</u> |
| Interest paid during current year | <u>\$ 80,900</u> | <u>\$ 202,075</u> | <u>\$ 13,017</u> | <u>\$ 0</u> | <u>\$ 295,992</u> |

Paying agent's name and address:

Series 2012R - Wells Fargo Bank Texas, N.A., Dallas, Texas

Series 2014R - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2020R - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2020A - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

| | Tax Bonds | Other Bonds | Refunding Bonds |
|-----------------------------|------------------|--------------------|------------------------|
| Amount authorized by voters | \$ 22,000,000 | 0 | \$ 14,300,000 |
| Amount issued | \$ 13,960,000 | 0 | \$ 484,194 |
| Remaining to be issued | \$ 8,040,000 | 0 | \$ 13,815,806 |

Debt service fund cash and temporary investment balances as of August 31, 2020:

\$ 1,079,680

Average annual debt service payment (principal and interest) for remaining term of all debt:

\$ 616,213

Bond authority Defined Area No. 1:

| | Tax Bonds | Other Bonds | Refunding Bonds |
|-----------------------------|------------------|--------------------|------------------------|
| Amount authorized by voters | \$ 21,005,000 | \$ 23,835,000 | 0 |
| Amount issued | \$ 3,150,000 | - | 0 |
| Remaining to be issued | \$ 17,855,000 | \$ 23,835,000 | 0 |

Fort Bend County Municipal Utility District No. 130
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended August 31,

| | Amounts | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| General Fund | | | | | |
| Revenues | | | | | |
| Property taxes | \$ 502,512 | \$ 502,507 | \$ 480,543 | \$ 485,743 | \$ 583,350 |
| Defined Area property taxes | 49,540 | - | - | - | - |
| Water service | 357,195 | 315,314 | 352,482 | 360,113 | 360,107 |
| Sewer service | 283,972 | 260,484 | 303,589 | 299,378 | 291,498 |
| Regional water fee | 447,353 | 349,355 | 391,331 | 380,219 | 346,233 |
| Penalty and interest | 10,939 | 12,674 | 9,209 | 16,318 | 14,819 |
| Tap connection and inspection fees | 112,020 | 86,685 | - | - | - |
| Investment income | 27,229 | 59,416 | 34,648 | 11,150 | 4,503 |
| Other income | 38,913 | 19,845 | 6,998 | - | - |
| Total revenues | <u>1,829,673</u> | <u>1,606,280</u> | <u>1,578,800</u> | <u>1,552,921</u> | <u>1,600,510</u> |
| Expenditures | | | | | |
| Service operations: | | | | | |
| Regional water fee | 442,385 | 345,795 | 361,063 | 348,694 | 317,091 |
| Professional fees | 183,780 | 225,309 | 180,374 | 141,576 | 133,545 |
| Contracted services | 390,913 | 341,345 | 323,980 | 316,094 | 309,495 |
| Utilities | 130,326 | 116,200 | 120,611 | 118,450 | 127,407 |
| Repairs and maintenance | 521,559 | 512,835 | 285,124 | 326,196 | 516,039 |
| Other expenditures | 64,650 | 52,368 | 55,239 | 51,383 | 45,993 |
| Tap connections | 70,070 | 56,342 | - | - | - |
| Capital outlay | 420,714 | 29,305 | - | - | 223,545 |
| Total expenditures | <u>2,224,397</u> | <u>1,679,499</u> | <u>1,326,391</u> | <u>1,302,393</u> | <u>1,673,115</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (394,724) | (73,219) | 252,409 | 250,528 | (72,605) |
| Other Financing Sources | | | | | |
| Developer advances | - | 70,000 | - | - | - |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (394,724) | (3,219) | 252,409 | 250,528 | (72,605) |
| Fund Balance, Beginning of Year | <u>2,641,951</u> | <u>2,645,170</u> | <u>2,392,761</u> | <u>2,142,233</u> | <u>2,214,838</u> |
| Fund Balance, End of Year | <u>\$ 2,247,227</u> | <u>\$ 2,641,951</u> | <u>\$ 2,645,170</u> | <u>\$ 2,392,761</u> | <u>\$ 2,142,233</u> |
| Total Active Retail Water Connections | <u>718</u> | <u>630</u> | <u>575</u> | <u>569</u> | <u>570</u> |
| Total Active Retail Wastewater Connections | <u>671</u> | <u>584</u> | <u>535</u> | <u>532</u> | <u>534</u> |

Percent of Fund Total Revenues

| 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------|----------------|---------------|---------------|----------------|
| 27.5 % | 31.3 % | 30.4 % | 31.3 % | 36.5 % |
| 2.7 | - | - | - | - |
| 19.5 | 19.6 | 22.3 | 23.2 | 22.5 |
| 15.5 | 16.2 | 19.2 | 19.3 | 18.2 |
| 24.5 | 21.8 | 24.8 | 24.5 | 21.6 |
| 0.6 | 0.8 | 0.6 | 1.0 | 0.9 |
| 6.1 | 5.4 | - | - | - |
| 1.5 | 3.7 | 2.2 | 0.7 | 0.3 |
| 2.1 | 1.2 | 0.5 | - | - |
| <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| 24.2 | 21.5 | 22.9 | 22.5 | 19.8 |
| 10.1 | 14.0 | 11.4 | 9.1 | 8.3 |
| 21.4 | 21.3 | 20.5 | 20.4 | 19.3 |
| 7.1 | 7.2 | 7.6 | 7.6 | 8.0 |
| 28.5 | 31.9 | 18.1 | 21.0 | 32.2 |
| 3.5 | 3.3 | 3.5 | 3.3 | 2.9 |
| 3.8 | 3.5 | - | - | - |
| 23.0 | 1.8 | - | - | 14.0 |
| <u>121.6</u> | <u>104.5</u> | <u>84.0</u> | <u>83.9</u> | <u>104.5</u> |
| <u>(21.6) %</u> | <u>(4.5) %</u> | <u>16.0 %</u> | <u>16.1 %</u> | <u>(4.5) %</u> |

Fort Bend County Municipal Utility District No. 130
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended August 31,

| | Amounts | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Debt Service Fund | | | | | |
| Revenues | | | | | |
| Property taxes | \$ 873,935 | \$ 838,118 | \$ 835,108 | \$ 843,148 | \$ 744,262 |
| Penalty and interest | 4,694 | 5,826 | 15,041 | 9,401 | 6,415 |
| Investment income | 15,069 | 22,815 | 11,381 | 3,949 | 3,114 |
| Total revenues | <u>893,698</u> | <u>866,759</u> | <u>861,530</u> | <u>856,498</u> | <u>753,791</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Professional fees | 744 | 1,185 | 4,888 | 3,649 | - |
| Contracted services | 34,241 | 24,589 | 18,768 | 18,187 | 17,856 |
| Other expenditures | 14,458 | 2,324 | 8,035 | 1,885 | 12,520 |
| Debt service: | | | | | |
| Principal retirement | 540,000 | 450,000 | 445,000 | 435,000 | 430,000 |
| Interest and fees | 296,222 | 372,375 | 383,225 | 391,925 | 400,525 |
| Debt issuance costs | 167,143 | - | - | - | - |
| Debt defeasance | 1,000 | - | - | - | - |
| Total expenditures | <u>1,053,808</u> | <u>850,473</u> | <u>859,916</u> | <u>850,646</u> | <u>860,901</u> |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | |
| | <u>(160,110)</u> | <u>16,286</u> | <u>1,614</u> | <u>5,852</u> | <u>(107,110)</u> |
| Other Financing Sources (Uses) | | | | | |
| General obligation bonds issued | 4,093,135 | - | - | - | - |
| Premium on debt issued | 53,957 | - | - | - | - |
| Deposit with escrow agent | (3,784,536) | - | - | - | - |
| Total other financing sources | <u>362,556</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | | | | | |
| | <u>202,446</u> | <u>16,286</u> | <u>1,614</u> | <u>5,852</u> | <u>(107,110)</u> |
| Fund Balance, Beginning of Year | <u>891,893</u> | <u>875,607</u> | <u>873,993</u> | <u>868,141</u> | <u>975,251</u> |
| Fund Balance, End of Year | <u>\$ 1,094,339</u> | <u>\$ 891,893</u> | <u>\$ 875,607</u> | <u>\$ 873,993</u> | <u>\$ 868,141</u> |

Percent of Fund Total Revenues

| 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------|---------------------|---------------------|---------------------|------------------------|
| 97.8 % | 96.7 % | 96.9 % | 98.4 % | 98.7 % |
| 0.5 | 0.7 | 1.8 | 1.1 | 0.9 |
| <u>1.7</u> | <u>2.6</u> | <u>1.3</u> | <u>0.5</u> | <u>0.4</u> |
| <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| 0.1 | 0.1 | 0.6 | 0.4 | - |
| 3.8 | 2.8 | 2.2 | 2.1 | 2.4 |
| 1.6 | 0.3 | 0.9 | 0.2 | 1.7 |
| 60.4 | 51.9 | 51.7 | 50.8 | 57.0 |
| 33.2 | 43.0 | 44.5 | 45.8 | 53.1 |
| 18.7 | - | - | - | - |
| <u>0.1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>117.9</u> | <u>98.1</u> | <u>99.9</u> | <u>99.3</u> | <u>114.2</u> |
| <u><u>(17.9) %</u></u> | <u><u>1.9 %</u></u> | <u><u>0.1 %</u></u> | <u><u>0.7 %</u></u> | <u><u>(14.2) %</u></u> |

Fort Bend County Municipal Utility District No. 130
Board Members, Key Personnel and Consultants
Year Ended August 31, 2020

| | |
|--|---|
| Complete District mailing address: | Fort Bend County Municipal Utility District No. 130 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 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 21, 2020 |
| Limit on fees of office that a director may receive during a fiscal year: | \$ 7,200 |

| Board Members | Term of Office Elected & Expires | Fees* | Expense Reimbursements | Title at Year-end |
|-----------------|---|----------|---------------------------|--------------------------------|
| Daniel Smith | Elected 05/20- 05/24 | \$ 1,350 | \$ 84 | President |
| Pamela Gray | Elected 05/18- 05/22 | 1,650 | 101 | Vice President |
| Michael Rusk | Elected 05/20- 05/24 | 1,650 | 84 | Secretary |
| Randy Graham | Elected 05/18- 05/22 | 600 | 84 | Assistant Vice President |
| Lanny Hitchcock | Elected 05/20- 05/24 | 600 | 0 | Assistant Secretary |
| Jeffery Heflin | Elected 05/16- 05/20 | 600 | 34 | Term Expired |

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

Fort Bend County Municipal Utility District No. 130
Board Members, Key Personnel and Consultants (Continued)
Year Ended August 31, 2020

| Consultants | Date Hired | Fees and Expense Reimbursements | Title |
|--|-----------------------|--|----------------------------|
| AEI Engineering, a Baxter & Woodman Company | 09/19/13 | \$ 219,660 | Engineer |
| Allen Boone Humphries Robinson LLP | 07/28/03 | 216,172 | Attorney/ Bond Counsel |
| BKD, LLP | 08/19/02 | 22,900 | Auditor |
| Champions Hydro-Lawn, Inc. | 12/17/15 | 44,384 | Maintenance |
| Fort Bend Central Appraisal District | Legislative Action | 12,807 | Appraiser |
| Municipal District Services, L.L.C. | 10/22/09 | 530,878 | Operator |
| Myrtle Cruz, Inc. | 07/24/01 | 28,929 | Bookkeeper |
| Perdue, Brandon, Fielder, Collins & Mott, L.L.P. | 03/18/02 | 744 | Delinquent Tax Attorney |
| Rathmann & Associates, L.P. | 06/16/03 | 114,813 | Financial Advisor |
| Tax Tech, Incorporated | 07/24/01 | 34,606 | Tax Assessor/ Collector |
| Investment Officer | | | |
| Mary Jarmon | 04/21/03 | N/A | Bookkeeper |

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

