OFFICIAL STATEMENT DATED SEPTEMBER 28, 2021

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 34, OF FORT BEND COUNTY, TEXAS, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE “LEGAL MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS HAVE BEEN DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”

BOOK-ENTRY-ONLY

Insured Rating (BAM): S&P “AA” (stable)
Underlying Rating: S&P “A-”
See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” herein.

$5,285,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 34, OF FORT BEND COUNTY, TEXAS

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

UNLIMITED TAX BONDS SERIES 2021

Dated Date: October 1, 2021 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the “Bonds”) will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially Regions Bank, Houston, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from the initial date of delivery (expected to be October 28, 2021) (the “Date of Delivery”) and will be payable on March 1 and September 1 of each year commencing March 1, 2022 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of $5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (Sept. 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2033	$ 750,000	(a)	2.000 %	1.70 %	346908 KS4	2037	750,000	(a)	2.000 %	2.15 %	346908 KW5
***	***		***	***	***	2038	750,000	(a)	2.125	2.20	346908 KX3
2036	750,000	(a)	2.000	2.05	346908 KV7						

$785,000 Term Bonds due September 1, 2032 (a), 346908 KR6 (b), 2.00% Interest Rate, 1.65% Yield (c)
$1,500,000 Term Bonds due September 1, 2035 (a), 346908 KU9 (b), 2.00% Interest Rate, 2.00% Yield (c)

(a) The Bonds are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
(b) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

The Bonds, when issued, will constitute valid and legally binding obligations of Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about October 28, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., 1300 Post Oak Boulevard, Suite 1400, Houston, Texas, 77056 upon payment of the costs of duplication.

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

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

Build America Mutual Assurance Company ("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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General..................................... 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. 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 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, including the Delta variant. 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. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

THE DISTRICT

Description and Location .... Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the "District"), is a governmental agency and political subdivision of the State of Texas located approximately 25 miles west of downtown Houston. The District contains approximately 673 acres of land. The District is bounded on the south by FM 1093, on the east by State Highway 99 (the Grand Parkway) and on the west by Katy-Gaston Road. The District lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston. See "THE DISTRICT" and "AERIAL PHOTOGRAPH."

Status of Development………….. The District provides water, sanitary sewer and drainage facilities to serve Hickory Creek, Sections 1 through 3 (283 single family residential lots on approximately 72 acres), Seven Meadows, Sections 1 through 8 and 22 (658 single family residential lots on approximately 272 acres) and Haven at Seven Lakes (129 single family residential lots on approximately 33 acres). Construction of water, sanitary sewer and drainage facilities, as well as street paving, is complete in these sections. As of June 16, 2021 the District contained 946 occupied single family homes, 15 vacant single family homes, 55 homes under construction or in a builder's name and 54 vacant developed lots. According to the District's 2021 tax rolls, homes in the District have values for taxation from approximately $200,000 to $685,000.

In addition to the residential development in the District, commercial development in the District includes a self-storage facility and a retail building on approximately 5 acres. Multi-family development includes the Palms at Cinco Ranch Apartments, a 200-unit apartment complex (98.50% occupied) on approximately 13 acres, The Grand Fountains apartment complex (200 units) on approximately 9 acres (97.50% occupied), and the Cortland Seven Meadows Apartments, a 300-unit apartment complex on approximately 15 acres (99.00% occupied). Additionally, a Montessori school on approximately 1 acre and a Katy Independent School District elementary school on approximately 12 acres are located within the District. The elementary school is tax-exempt and not subject to taxation by the District. In addition to the development described above, the District also includes a recreation center consisting of a pool, recreational building and playground equipment on approximately 8 acres; a portion (approximately 131 acres) of the Meadowbrook Farms Golf Course, a daily-fee course; and a park which contains a walking path, benches and exercise equipment on approximately 1 acre. An additional 59 acres of land planned for future commercial/multi- family development in the District are served with trunk utilities but do not have any vertical improvements at this time.

Additionally, approximately 36 acres of land in the District are located in easements, rights- of-way, and drill sites and approximately 6 acres are located in district plant sites. Currently, no development plans have been reported to the District on the remaining developable acreage. See "THE DISTRICT."

Developer and Principal Landowners .... In 2019, Trendmaker Homes Inc., a Texas corporation, ("Trendmaker" or the "Developer") purchased approximately 38 acres of land which was subsequently annexed into the District. Of such acreage, approximately 33 acres has been developed for single family residential purposes and is being marketed as Haven at Seven Lakes (129 lots). Effective January 15, 2021, Trendmaker has rebranded and is doing business as Tri Pointe Homes, Inc., a Texas Corporation, ("Tri Pointe"). The remaining 5 acres of such annexed tract are owned by Shops at Katy Gaston, LLC and are available for future commercial development.

CR Nevada Associates, LLC ("CR Nevada"), a Nevada limited liability company, developed the Palms at Cinco Ranch, a 200-unit apartment complex. JLC Gason LLC, an affiliate of CR Nevada, owns approximately 9 acres of land in the District, upon which a 200-unit apartment complex named the Grand Fountain Apartments has been constructed. CR Nevada owns an additional 6 acres of land in the District which is available for future commercial development.

Existing single-family, commercial and multi-family development was conducted by various other entities and has been built out for several years. See "THE DEVELOPER AND PRINCIPAL LANDOWNERS."

Homebuilders .... Tri Pointe is actively building homes in the District.

THE FINANCING

The Issue .... $5,285,000 Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas, Unlimited Tax Bonds, Series 2021, dated October 1, 2021. The Bonds mature serially on September 1 in 2033 and in each year from 2036 through 2038, both inclusive, and as term bonds on September 1 in each of the years 2032 and 2035 (the "Term Bonds"), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. Interest on the Bonds will accrue from the Date of Delivery and will be payable March 1 and September 1 of each year commencing March 1, 2022, until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds are subject to optional redemption, in whole or, from time to time, in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of $5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM" and "THE BONDS—Redemption Provisions." The Term Bonds also are subject to mandatory sinking fund redemption as more fully described herein. The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof. See "THE BONDS."

Book-Entry-Only........................ The Bonds will be registered in the name of, 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. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY- ONLY SYSTEM."

Authority for Issuance .... At elections held within the District on November 3, 1981, and May 6, 2000, voters of the District authorized a total of $35,650,000 of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the eighth issuance of bonds from such authorizations. Following the issuance of the Bonds, a total of $5,400,000 of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and an election held within the District. See "THE BONDS—Authority for Issuance."

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

Use of Proceeds......................... Proceeds of the Bonds will be used to reimburse Tri Pointe for construction and engineering costs and other expenses related to: (1) Katy Gaston Tract Detention Pond and Utilities; (2) Storm Water Pollution Prevention expenses; (3) Katy Gaston Tract Detention Pond Land Acquisition costs; and (4) engineering and construction materials testing expenses. In addition, Bond proceeds will be used to capitalize six (6) months of interest on the Bonds; and to pay certain costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record......................... The District has previously issued seven series of unlimited tax bonds and five series of unlimited tax refunding bonds (the "Previously Issued Bonds"). A total of $13,910,000 in principal amount of the Previously Issued Bonds was outstanding as of August 1, 2021 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Qualified Tax-Exempt Obligations .... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Qualified Tax-Exempt Obligations."

Bond Counsel .... Schwartz, Page & Harding, L.L.P., Houston, Texas.

Engineer .... BGE, Inc., Houston, Texas.

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

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

Paying Agent/Registrar .... Regions Bank, Houston, Texas.

Municipal Bond Insurance and Municipal Bond Rating.............. It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") will assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. ("BAM"). S&P has assigned an underlying credit rating of "A-" on the Bonds. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE," and APPENDIX B.

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION

2021 Certified Taxable Assessed Valuation	$458,022,518 (a)
Estimate of Taxable Assessed Valuation as of June 1, 2021	$484,016,012 (b)
Gross Direct Debt Outstanding	$19,195,000 (c)
Estimated Overlapping Debt	21,331,173 (d)
Total Gross Direct Debt and Estimated Overlapping Debt	$40,526,173
Ratios of Gross Direct Debt to:	
2021 Certified Taxable Assessed Valuation	4.19%
Estimate of Taxable Assessed Valuation as of June 1, 2021	3.97%
Ratios of Gross Direct and Estimated Overlapping Debt to:	
2021 Certified Taxable Assessed Valuation	8.85%
Estimate of Taxable Assessed Valuation as of June 1, 2021	8.38%
Operating Funds Available as of August 24, 2021	$5,914,552
Debt Service Funds Available as of August 24, 2021	$2,124,476 (e)
2021 Debt Service Tax Rate	$0.34
2021 Maintenance Tax Rate	0.27
Total	$0.61
Average Percentage of Total Tax Collections (2016-2020)	99.81%
Average Annual Debt Service Requirement (2022-2038)	$1,304,060 (f)
Maximum Annual Debt Service Requirement (2023)	$1,524,144 (f)
Tax Rate Required to Pay Average Annual Debt Service (2022-2038) at a 95% Collection Rate	
Based upon 2021 Certified Taxable Assessed Valuation	$0.30
Based upon Estimate of Taxable Assessed Valuation as of June 1, 2021	$0.29
Tax Rate Required to Pay Maximum Annual Debt Service (2022) at a 95% Collection Rate	
Based upon 2021 Certified Taxable Assessed Valuation	$0.36
Based upon Estimate of Taxable Assessed Valuation as of June 1, 2021	$0.34
Status of Development as of June 16, 2021 (g):	
Single family - occupied	946
Single family – unoccupied	15
Builder connections	55
Multi-Family (700 units)	3
Commercial	3
Estimated 2021 Population	4,711 (h)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on June 1, 2021. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."

(c) After giving effect to issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED—Outstanding Bonds."

(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(e) Neither Texas law nor the Bond Order requires the District maintain any particulate fund balance in the Debt Service Fund. The District will capitalize six (6) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(f) See "DEBT SERVICE REQUIREMENTS" and "TAX DATA—Tax Adequacy for Debt Service."

(g) See "THE DISTRICT—Status of Development."

(h) Based upon 3.5 persons per occupied single-family residence and 2 persons per multi-family unit.

OFFICIAL STATEMENT

$5,285,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 34,
OF FORT BEND COUNTY, TEXAS

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

UNLIMITED TAX BONDS
SERIES 2021

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the "District") of its $5,285,000 Unlimited Tax Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to the Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") and an election held within the District on May 6, 2000.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056, upon payment of duplication costs therefor.

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 Bond Order, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds will be dated October 1, 2021, with interest payable on each March 1 and September 1 thereafter, commencing March 1, 2022 (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. The Bonds mature on September 1 of the years and in the amounts shown under "MATURITIES PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM." Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months.

Authority for Issuance

At elections held within the District on November 3, 1981, and May 6, 2000, voters of the District authorized a total of $35,650,000 of bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds constitute the eighth issuance of bonds from such authorizations. After the issuance of the Bonds, a total of $5,400,000 of unlimited tax bonds for water, sanitary sewer and drainage facilities will remain authorized but unissued. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; and an order of the TCEQ dated July 19, 2021.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAX PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "INVESTMENT CONSIDERATIONS." The Bonds are obligations solely of the District and are not obligations of the City of Houston (the "City"), Fort Bend County, the State of Texas, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. An amount equal to six (6) months of interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Bond Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund.

The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (hereinafter defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2032 and 2035 (the "Term Bonds") 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 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):

$785,000 Term Bond Due September 1, 2032		$1,500,000 Term Bond Due September 1, 2035	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2029	$ 100,000	2034	$ 750,000
2030	120,000	2035 (maturity)	750,000
2031	140,000		
2032 (maturity)	425,000		

Notice of the mandatory redemption of the Term Bond will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY-SYSTEM."

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds (including the Term Bonds) prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2027, 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 Serial Bonds of the same maturity are to be redeemed, the particular Bonds 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 Order.

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 (including any Term 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.

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, Houston, Texas having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See "BOOK-ENTRY-ONLY SYSTEM."

Registration

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $35,650,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $5,400,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $33,500,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has $31,704,522.81 of unlimited tax refunding bonds authorized but unissued.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"); and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire- fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the Commission for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the Commission, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the Commission for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District.
The District has not considered calling an election for such purposes but could consider doing so in the future.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the "City"), the District may be annexed for full purposes by the City, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and, therefore, the District makes no representation that the City will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. Under the terms of the SPA (as hereinafter defined) between the District and the City, however, the City has agreed not to annex the District for full purposes (a traditional municipal annexation) for at least thirty (30) years from the effective date of the SPA (May 8, 2012). See "THE DISTRICT—Strategic Partnership Agreement." The District could consent to a full purpose annexation prior to that time by agreeing to amend the SPA to such effect, however, the District currently has no intention to do so.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Certain traditional legal remedies may also not be available. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies."

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or 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 noncallable 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) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded to be 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order 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 as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, 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 take any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by an order of the Texas Water Commission, a predecessor to the Commission, dated March 10, 1981, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City (except as described below under "Strategic Partnership Agreement"), is subject to the continuing supervisory jurisdiction of the Commission.

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. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly, with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the Commission and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the Commission and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt," "Financing Road Facilities" and "Financing Recreational Facilities."

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 finance 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. The District is also required to obtain certain Commission approvals prior to acquiring, constructing and financing road and fire-fighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. 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."

Strategic Partnership Agreement

The District and the City of Houston have entered into a Strategic Partnership Agreement dated effective May 8, 2012 (the "SPA") pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for a "limited purpose annexation" for that portion of the District which is developed for retail and commercial purposes in order to apply certain City health, safety, planning and zoning ordinances within the District. Areas of residential development within the District are not subject to the limited purpose annexation. The SPA also provides that the City will not annex the District for "full purposes" for at least thirty (30) years from the effective date of the SPA. Also, as a condition to full purpose annexation, any unpaid reimbursement obligations due to a developer by the District for water, wastewater and drainage facilities must be assumed by the City to the maximum extent permitted by Commission rules. The procedures for full purpose annexation under the SPA may differ from those otherwise applicable under Chapter 43, Texas Local Government Code, including any requirements for an election. See "THE BONDS—Annexation."

As of the effective date of the SPA, the City was authorized to impose the one percent (1%) City sales and use tax within the portion of the District included in the limited purpose annexation. Such portion includes primarily the 103 acres of retail and commercial development within the District. The City pays to the District an amount equal to one half (1/2) of all sales and use tax revenue generated within such area of the District and received by the City from the Comptroller of Public Accounts of the State of Texas (the "Sales Tax Revenue"). Pursuant to State law, the District is authorized to use Sales Tax Revenue generated under the SPA for any lawful purpose. None of the anticipated Sales Tax Revenue is pledged toward the payment of principal and interest on the Bonds or the Outstanding Bonds.

Location

The District, which originally contained approximately 575 acres of land and now contains approximately 673 acres of land through multiple annexations, is located in the northern portion of Fort Bend County some 25 miles west of the downtown business area of Houston.

The District is bounded on the south by FM 1093, on the east by State Highway 99 (the "Grand Parkway") and on the west by Katy-Gaston Road. Access to other areas of Houston is provided via FM 1093 approximately six miles east to State Highway 6. The portion of FM 1093 east of the Grand Parkway contains four lanes (free access lanes) with a four lane toll road (West Park Toll Road) between the free access lanes. Access is also provided via Interstate 10 (the "Katy Freeway") located approximately four miles north of the District via the Grand Parkway. See "AERIAL PHOTOGRAPH."

Status of Development

The District provides water, sanitary sewer and drainage facilities to serve Hickory Creek, Sections 1 through 3 (283 single family residential lots on approximately 72 acres), Seven Meadows, Sections 1 through 8 and 22 (658 single family residential lots on approximately 272 acres) and Haven at Seven Lakes (129 single family residential lots on approximately 33 acres). Construction of water, sanitary sewer and drainage facilities, as well as street paving, is complete in these sections. As of June 16, 2021, the District contained 946 occupied single family homes, 15 vacant single family homes, 55 homes under construction or in a builder's name and 54 vacant developed lots. According to the District's 2021 tax rolls, homes in the District have values for taxation from approximately $200,000 to $685,000. Tri Pointe is actively homebuilding within the District.

In addition to the residential development in the District, commercial development in the District includes a self-storage facility and retail building on approximately 5 acres. Multi-family development includes the Palms at Cinco Ranch Apartments, a 200-unit apartment complex (98.50% occupied) on approximately 13 acres, The Grand Fountains apartment complex (200 units) on approximately 9 acres (97.50% occupied), and the Cortland Seven Meadows Apartments, a 300-unit apartment complex, on approximately 15 acres (99.00% occupied). Additionally, a Montessori school on approximately 1 acre and a Katy Independent School District elementary school on approximately 12 acres are located within the District The elementary school is tax-exempt and not subject to taxation by the District. In addition to the development described above, the District also includes a recreation center consisting of a pool, recreational building and playground equipment on approximately 8 acres; a portion (approximately 131 acres) of the Meadowbrook Farms Golf Course, a daily-fee course; and a park which contains a walking path, benches and exercise equipment on approximately 1 acre. An additional 59 acres of land planned for future commercial/multi- family development in the District are served with trunk utilities but do not have any vertical improvements at this time. Currently, no development plans have been reported to the District on the remaining developable acreage.

Additionally, approximately 36 acres of land in the District are located in easements, rights- of-way, and drill sites and approximately 6 acres are located in district plant sites.

Community Facilities

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments are located adjacent to the District along and adjacent to the Grand Parkway. Additional shopping facilities are located approximately eight (8) miles east of the District adjacent to State Highway 6. Fire protection is provided by Fort Bend County Emergency Services District No. 4. Police protection is provided by Fort Bend County. Children residing within the District attend schools within the Katy Independent School District.

DEVELOPER AND PRINCIPAL LANDOWNERS

In 2019, Trendmaker Homes Inc., a Texas corporation, ("Trendmaker" or the "Developer") purchased approximately 38 acres of land which was subsequently annexed into the District. Of such acreage, approximately 33 acres has been developed for single family residential purposes and is being marketed as Haven at Seven Lakes (129 lots). Effective January 15, 2021, Trendmaker has rebranded and is doing business as Tri Pointe Homes, Inc., a Texas Corporation, ("Tri Pointe"). Tri Pointe is actively building homes within the District. The remaining 5 acres from such annexed tract are owned by Shops at Katy Gaston, LLC and are available for future commercial development.

CR Nevada Associates, LLC ("CR Nevada"), a Nevada limited liability company, developed the Palms at Cinco Ranch, a 200-unit apartment complex. JLC Gason LLC, an affiliate of CR Nevada, owns approximately 9 acres of land in the District, upon which a 200-unit apartment complex named the Grand Fountain Apartments has been constructed. CR Nevada owns an additional 6 acres of land in the District which is available for future commercial development.

Existing single family, commercial and multi-family development was conducted by various other entities and has been built out for several years.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

Name	Title	Term Expires
Billy E. Haehnel	President	May 2024
James A. Marken	Vice President	May 2022
Jose Torres	Secretary	May 2022
Craig A. Hajovsky	Assistant Secretary	May 2022
Sean Piper	Assistant Secretary	May 2024

The District has no full-time employees but instead contracts with the entities described below for professional services:

Tax Assessor/Collector

Land and improvements in the District are being appraised for taxation by the Fort Bend Central Appraisal District. The District contracts with Bob Leared Interests, Inc. to act as Tax Assessor/Collector for the District.

System Operator

The operator of the District's water, wastewater and storm sewer systems is Municipal Operations & Consulting, Inc. (the "Operator").

Bookkeeper

The District contracts with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services for the District.

Engineer

The District's consulting engineer is BGE, Inc. (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audited financial statements are filed with the TCEQ. The financial statements of the District as of September 30, 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 A" for a copy of the District's September 30, 2020, audited financial statements.

Bond Counsel and General Counsel

Schwartz, Page & Harding, L.L.P. ("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, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P. as disclosure counsel ("Disclosure Counsel"). The fees paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon the sale and delivery of the Bonds.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection and treatment, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and are subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District, Fort Bend County and, in some instances, the Commission and the U.S. Army Corps of Engineers. Fort Bend County, the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any expansion of or permit renewal for the District's wastewater treatment plant could result in the need to construct additional facilities or could result in the downgrading of the rated treatment capacity of such plant. The following descriptions are based upon information supplied by the District's Engineer.

Source of Water Supply

The District is served by one water plant and a remote well, which are shared with Fort Bend County Municipal Utility District No. 35 ("MUD 35") pursuant to a contract between the District and MUD 35. The water plant and remote well consist of 3,498 gallons per minute (gpm) of well capacity, 2,024,000 gallons of ground storage tank capacity, 11,400 gpm of booster pump capacity, 130,000 gallons of pressure tank capacity, and related appurtenances. According to the District's Engineer, the District's share of existing capacity is adequate to serve 2,154 equivalent single-family connections. The District presently provides service to approximately 1,350 equivalent single-family connections. In addition, the District has emergency water interconnects with Grand Lakes Municipal Utility District No. 4 and Cinco Southwest Municipal Utility District No. 1, each of which are located adjacent to the District.

Subsidence District Requirements

The District is within the boundaries of the Fort Bend Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. 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 District's authority to pump groundwater is subject to an annual permit issued to the Authority by the Subsidence District. 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 District began receiving surface water from the Authority on November 19, 2013.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in 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 to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), 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, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and a rate per 1,000 gallons based on the amount of surface water, if any, received by the District 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: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2030, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty of $6.50 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose 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 for future years, but anticipates the need to continue passing such fees through to its customers in higher water and sewer rates. In the event the Authority fails to reduce groundwater withdrawal to the levels specified in the Regulatory Plan by the deadlines established by the Subsidence District, then the District and others within the Authority's GRP group will be required to pay a disincentive fee on withdrawn groundwater. This fee is expected to be substantial and the District expects it would need to pass such fee through to its customers through higher water and sewer rates or utilize portions of its maintenance tax revenues. This fee would be in addition to the Authority's fee.

Source of Wastewater Treatment

Wastewater treatment for the District is provided by two wastewater treatment plants. The District has entered into an agreement with MUD 35 to jointly own and operate a one million gallon per day (gpd) wastewater treatment plant and related facilities to serve the two districts. Each district is responsible for financing expansions to the joint wastewater treatment plant as their collective capacity needs exceed their respective pro rata share in the plant. Operational and maintenance costs are shared by the District and MUD 35 in proportion to their respective active connections being served in the plant during the applicable billing period. Under a Waste Disposal Agreement, dated May 1, 2019, as amended, 333,200 gpd of capacity is allocated to the District. According to the Engineer, the District's 333,200 gpd capacity is capable of serving approximately 1,134 equivalent single-family connections. A second wastewater treatment plant with 125,000 gpd capacity was constructed to serve only the District and provides additional capacity to 500 equivalent single-family connections. According to the District engineer, the District's total wastewater treatment plant capacity has the capacity to serve 1,634 equivalent single-family connections. The District presently provides service to approximately 1,350 equivalent single-family connections.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" or (1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have one percent chance of occurring in any given year. Generally, 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 no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to meet all applicable standards. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events; Hurricane Harvey."

According to the Engineer, no land within the District, except the land within the right-of- way of drainage facilities, lies within the 100-year flood plain designation. Storm water detention and certain drainage improvements have been constructed to provide required storm water detention for the District."

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs were compiled by BGE, Inc, the District's engineer (the "Engineer"), based on the estimated cost of facilities and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and the District's financial advisor, Masterson Advisors LLC (the "Financial Advisor"), at the time the District's bond application was filed with the TCEQ. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used. Certain uses of surplus funds require TCEQ approval.

Proceeds from the Bonds will be used to reimburse Tri Pointe for construction and engineering costs and other expenses related to: (1) Katy Gaston Tract Detention Pond and Utilities; (2) Storm Water Pollution Prevention expenses; (3) Katy Gaston Tract Detention Pond Land Acquisition costs; and (4) engineering and construction materials testing expenses. Bond proceeds will also be used to capitalize six (6) months of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds.

CONSTRUCTION RELATED COSTS		
Construction Costs Approved by the TCEQ	$	4,690,772
Total Construction Related Costs	**$**	**4,690,772**
NON-CONSTRUCTION COSTS		
Underwriter's Discount	$	108,237
Capitalized Interest (6 months)		53,319
Total Non-Construction Related Costs	**$**	**161,556**
ISSUANCE COSTS AND FEES		
Issuance Costs and Professional Fees	$	286,299
Bond Application Report Costs		45,000
State Regulatory Fees		18,498
Contingency (a)		82,875
Total Issuance Costs and Fees	**$**	**432,672**
TOTAL BOND ISSUE	**$**	**5,285,000**

(a) Contingency represents the difference in the estimated and actual amounts of Underwriter's discount and capitalized interest.

In the instance that TCEQ-approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of 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.

FINANCIAL STATEMENT (UNAUDITED)

2021 Certified Taxable Assessed Valuation	$458,022,518	(a)
Estimated Taxable Assessed Valuation as of June 1, 2021	$484,016,012	(b)

Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)	$ 19,195,000
Estimated Overlapping Debt	21,331,173
Total Gross Direct Debt and Estimated Overlapping Debt	$ 40,526,173

Ratios of Gross Direct Debt to:

2021 Certified Taxable Assessed Valuation	4.19%
Estimated Taxable Assessed Valuation as of June 1, 2021	3.97%

Ratios of Gross Direct Debt and Estimated Overlapping Debt to:

2021 Certified Taxable Assessed Valuation	8.85%
Estimated Taxable Assessed Valuation as of June 1, 2021	8.38%

Area of District — 673 acres
Estimated 2021 Population — 4,711 (c)

(a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on June 1, 2021. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. See "TAX PROCEDURES."
(c) Based upon 3.5 persons per occupied single-family residence and 2 persons per multi-family unit.

Cash and Investment Balances (unaudited as of August 24, 2021)

General Fund	Cash and Temporary Investments	$5,914,552	
Bond Fund	Cash and Temporary Investments	$2,124,476	(a)

(a) The District will capitalize six (6) months of interest on the Bonds, which will be deposited to Bond Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Bond Fund.

Investments of the District

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

Outstanding Bonds (as of August 1, 2021)

Series	Original Principal Amount	Outstanding Bonds 8/1/2021
2012 (a)	$ 3,705,000	$ 255,000
2013	2,090,000	160,000
2014 (a)	7,490,000	4,345,000
2015 (a)	6,805,000	6,280,000
2020 (a)	2,870,000	2,870,000
Total	$ 22,960,000	$ 13,910,000

(a) Unlimited Tax Refunding Bonds.

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements		Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2021	$ 1,245,997	(a)				$ 1,245,997
2022	1,429,881			$ 89,753	$ 89,753	1,519,634
2023	1,417,506			106,638	106,638	1,524,144
2024	1,398,506			106,638	106,638	1,505,144
2025	1,378,756			106,638	106,638	1,485,394
2026	1,383,531			106,638	106,638	1,490,169
2027	1,376,356			106,638	106,638	1,482,994
2028	1,344,619			106,638	106,638	1,451,256
2029	1,232,969		$ 100,000	106,638	206,638	1,439,606
2030	1,190,231		120,000	104,638	224,638	1,414,869
2031	1,156,581		140,000	102,238	242,238	1,398,819
2032	863,056		425,000	99,438	524,438	1,387,494
2033	548,469		750,000	90,938	840,938	1,389,406
2034	353,600		750,000	75,938	825,938	1,179,538
2035	346,800		750,000	60,938	810,938	1,157,738
2036			750,000	45,938	795,938	795,938
2037			750,000	30,938	780,938	780,938
2038			750,000	15,938	765,938	765,938
Total	$ 16,666,860		$ 5,285,000	$ 1,463,153	$ 6,748,153	$ 23,415,013

(a) Excludes the March 1, 2021 debt service payment of $204,197.

Maximum Annual Debt Service Requirement (2023) $1,524,144
Average Annual Debt Service Requirements (2022-2038) $1,304,060

WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. However, net revenues, if any, derived from operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including the payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2017 through 2020 and an unaudited summary from the District's bookkeeper for the period ended June 30, 2021. Reference is made to such records and financial statements for further and more complete information.

	10/1/2020 to 6/30/2021 (a)	Fiscal Year Ended September 30			
		2020	2019	2018	2017
Revenues					
Property Taxes	$ 1,160,181	$ 1,140,068	$ 1,145,424	$ 1,142,860	$ 1,066,666
Water Service	277,834	453,273	452,840	472,581	472,342
Sewer Service	374,289	557,228	557,799	564,156	564,346
Regional Water Fee	448,696	785,336	712,096	732,346	686,834
Penalty and Interest	8,718	15,932	15,713	12,127	18,629
Tap Connection and Inspection Fees	98,335	4,490	13,045	3,960	3,963
Investment Income	33,515	87,128	108,376	48,365	18,864
Other Income	58,923	41,847	42,438	38,245	170,903
Sales Tax Rebates	79	3,281	-	-	-
Total Revenues	$ 2,460,570	$ 3,088,583	$ 3,047,731	$ 3,014,640	$ 3,002,547
Expenditures					
Purchased Services	$ 719,075	$ 1,397,110	$ 1,079,209	$ 1,030,276	$ 1,136,599
Professional Fees	131,425	143,081	161,768	143,746	144,771
Contracted Services	306,286	386,354	365,628	354,196	379,721
Utilities	55,894	98,604	105,793	124,036	103,664
Repairs and Maintenance	205,875	413,992	352,782	439,603	403,407
Tap Connections	52,945	-	7,950	-	-
Other	38,960	59,347	74,358	91,626	81,620
Capital Outlay	291,563	101,009	224,103	16,129	194,076
Debt Issuance Costs	-	11,250	-	-	-
Total Expenditures	$ 1,802,023	$ 2,610,747	$ 2,371,591	$ 2,199,612	$ 2,443,858
Revenues Over (Under) Expenditures	$ 658,547	$ 477,836	$ 676,140	$ 815,028	$ 558,689
Interfund Transfer	$ -	$ (73,122)	$ 71,619	$ -	$ 11,944
Fund Balance (Beginning of Year)	$ 5,403,072	$ 4,998,358	$ 4,250,599	$ 3,435,571	$ 2,864,938
Fund Balance (End of Year)	$ 6,061,619	$ 5,403,072	$ 4,998,358	$ 4,250,599	$ 3,435,571

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

ESTIMATED OVERLAPPING DEBT STATEMENT

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District 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 publicly 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. 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.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Fort Bend County……………………………………	$ 633,879,567	7/31/2021	0.58%	$ 3,676,501
Fort Bend County Drainage District……………........	25,405,000	7/31/2021	0.57%	144,809
Katy Independent School District…………………	1,805,140,550	7/31/2021	0.97%	17,509,863
Total Estimated Overlapping Debt………………..				$ 21,331,173
The District…………………………………………..	19,195,000 (a)	Current	100.00%	19,195,000
Total Direct and Estimated Overlapping Debt…..				$ 40,526,173

Ratio of Estimated Direct and Overlapping Debt to 2021 Certified Taxable Assessed Valuation……………………	8.85%
Ratio of Estimated Direct and Overlapping Debt to June 1, 2021 Estimated Taxable Assessed Valuation………..	8.37%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2020

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

Set forth below are all of the taxes levied for the 2020 tax year by all taxing jurisdictions overlapping the District and the District's 2021 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2020 Tax Rate per $100 of Taxable Assessed Valuation
Fort Bend County (includes Drainage District)………..............	$ 0.453207
Katy Independent School District………………………………	1.388800
Fort Bend ESD No. 4……………………………………………	0.100000
Total Overlapping Tax Rate……………………………………	$ 1.942007
The District (a) …………………………………………………	0.610000
Total Tax Rate…………………………………………………	$ 2.552007

(a) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2021 (a) Amount	Percent
2016	$ 412,055,624	$ 0.620	$ 2,554,714	$ 2,554,714	100.00%
2017	422,962,096	0.610	2,580,069	2,580,069	100.00%
2018	425,844,674	0.610	2,597,653	2,594,895	99.89%
2019	419,790,028	0.610	2,560,720	2,556,515	99.84%
2020	438,146,870	0.610	2,672,697	2,654,462	99.32%

(a) Unaudited.

Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service	$ 0.340	$ 0.340	$ 0.340	$ 0.340	$ 0.340
Maintenance and Operations	0.270	0.270	0.270	0.270	0.270
Total	$ 0.610	$ 0.610	$ 0.610	$ 0.610	$ 0.610

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.50 per $100 Assessed Valuation

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds or the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See "Tax Rate Distribution" and "Tax Roll Information" herein, and "TAX PROCEDURES."

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. At an election held on November 3, 1981, the Board was authorized to levy such a maintenance tax in an amount not to exceed $0.50 per $100 of assessed valuation. For the 2021 tax year, the Board levied a maintenance tax in the amount of $0.27 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. See "Debt Service Tax" above.

Tax Exemptions

The District has not exempted any percentage of the market value of any residential homesteads from taxation since its inception. For the 2021 tax year, the District has adopted an order granting $25,000 exemption for taxpayers who are disabled or over 65 years of age. See "TAX PROCEDURES—Property Subject to Taxation by the District."

Additional Penalties

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

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the certified taxable assessed value of such property and such property's certified assessed value as a percentage of the 2021 Certified Taxable Assessed Valuation of $458,022,518, which represents ownership as of January 1, 2021. A principal taxpayer lists related to the Estimated Taxable Assessed Valuation as of June 1, 2021 is not available.

Taxpayer	Type of Property	2021 Certified Taxable Assessed Valuation	% of 2021 Certified Taxable Assessed Valuation
DD Gaston Partners LLC	Land & Improvements	$ 42,367,000	9.25%
Cinco Ranch Palms LLP	Land & Improvements	26,040,560	5.69%
Grand Fountain APTS TCI LLC	Land & Improvements	23,472,000	5.12%
Trendmaker Homes Inc.	Land	10,985,190	2.40%
Rulica/Grand Parkway LLC	Land & Improvements	5,980,830	1.31%
MHC 32 (Katy TX) LLC	Land & Improvements	4,531,490	0.99%
Cambridge Honors Academy	Land & Improvements	2,042,610	0.45%
Meadowbrook Farm LP	Land & Improvements	1,860,760	0.41%
Centerpoint Energy Electric	Personal	1,543,250	0.34%
Comcast of Houston LLC	Personal	1,441,580	0.31%
Total		$ 120,265,270	26.26%

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAX PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2019 through 2021 Certified Taxable Assessed Valuations. Differences in value from other information herein are due to differences in dates of information provided. A breakdown of the Estimated Taxable Assessed Valuation as of June 1, 2021 is not available.

	2021 Certified Taxable Assessed Valuation	2020 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation
Land	$ 101,506,410	$ 88,475,900	$ 78,968,340
Improvements	378,677,327	361,265,130	356,530,138
Personal Property	5,344,080	5,655,750	3,626,440
Exemptions	(27,505,299)	(20,781,950)	(19,334,890)
Total	$ 458,022,518	$ 434,614,830	$ 419,790,028

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of taxable assessed valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2021 Certified Taxable Assessed Valuation of $458,022,518 and the Estimated Taxable Assessed Valuation as of June 1, 2021 of $484,016,012. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable assessed values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirement (2022-2038)	$1,304,060
$0.30 Tax Rate on 2021 Certified Taxable Assessed Valuation at 95% collections	$1,305,364
$0.29 Tax Rate on Estimated Taxable Assessed Valuation as of June 1, 2021 at 95% collections	$1,333,464
Maximum Annual Debt Service Requirement (2023)	$1,524,144
$0.36 Tax Rate on 2021 Certified Taxable Assessed Valuation at 95% collections	$1,566,437
$0.34 Tax Rate on Estimated Taxable Assessed Valuation as of June 1, 2021 at 95% collections	$1,563,372

No representations or suggestions are made that the estimated values of land and improvements provided by the Appraisal District as of June 1, 2021, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Fort Bend Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units wholly within Fort Bend County, including the District. Such appraisal values are subject to review and change by the Fort Bend County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Fort Bend County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption of $25,000 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or a first responder (as defined under Texas law), who was (i) killed in action; or (ii) subject to an amendment to the Texas Constitution to be considered at an election on November 2, 2021, fatally injured in the line of duty, is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

A “Freeport Exemption” applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property, but may choose to exempt same in the future by further official action.

General Residential Homestead Exemption

Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than $5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For the 2021 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The 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, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "TAX PROCEDURES—Rollback of Operation and Maintenance Tax Rate" below. 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2021, no land within the District was designated for agricultural use, open space, inventory deferment or timberland.

Tax Abatement

The City of Houston and Fort Bend County may designate all or part of the District as a reinvestment zone, and the District, Fort Bend County, and (if it were to annex the area) the City of Houston may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by 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 a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as “Low Tax Rate Districts.” Districts that have financed, completed, and issued bonds to pay for all land, 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 pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts: Low Tax Rate Districts 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 in the district, 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, 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 in the district, subject to certain homestead exemptions, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts: Districts that do not meet the classification of a Low Tax Rate District 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District: A determination as to a district’s status as a Low Tax Rate District, 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, 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 taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See “ESTIMATED OVERLAPPING DEBT STATEMENT.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest 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. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See “INVESTMENT CONSIDERATIONS—Tax Collection Limitations.”

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (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. 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 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 Volatility on the Houston Area

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

Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the Operator, there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the Engineer and Operator, the District's system did not sustain any material damage from Hurricane Harvey. To the knowledge of the District, less than 10 homes within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, developed lots which are currently being marketed for the construction of primary residences and commercial development. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability 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 District or could adversely impact such values. See "Credit Markets and Liquidity in the Financial Markets" below and "THE DISTRICT—Status of Development."

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 26 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base or reduce it from current levels.

Dependence on Principal Taxpayers

The ten principal taxpayers represent $120,265,270 or approximately 26.26% of the 2021 Certified Taxable Assessed Valuation ($458,022,518), which represents ownership as of January 1, 2021. See "TAX DATA—Principal Taxpayers." Principal taxpayer lists related to the 2021 Preliminary Taxable Assessed Valuation or the Estimate of Taxable Assessed Valuation as of June 1, 2021 are not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy a higher tax rate or use other available funds for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Bond Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Future Debt

After issuance of the Bonds, the District reserves in the Bond Order the right to issue the remaining $5,400,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities in the District and the $31,704,522.81 in principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding the outstanding bonds of the District and any additional bonds which may be voted hereafter. See "THE BONDS—Issuance of Additional Debt," "Financing Road Facilities," and "Financing Recreational Facilities." The issuance of such future obligations may adversely affect the investment security of the Bonds.

After reimbursements are made with Bond proceeds, the District will have no remaining outstanding reimbursements due to any developers or landowners as of the date hereof. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board and any bonds issued to acquire or construct drainage facilities must be approved by the Commission. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

The 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 EPA published the NWPR in the Federal Register on April 21, 2020. The NWPR went into effect on June 22, 2020 and is currently the subject of ongoing litigation.

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, 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.

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of foe United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSYEM—100-Year Flood Plain."

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas 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, the District must also obtain the approval of the Commission prior to filing bankruptcy. Such law requires that the Commission investigate the financial conditions of the District and authorize the District to proceed only if 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.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect the Registered Owners by reducing or eliminating the interest rate or the principal amount, 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.

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order 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 "LEGAL MATTERS—Tax Exemption."

Marketability

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

Future and Proposed Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE."

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the 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 Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds 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 and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “THE DISTRICT—General” and “—Strategic Partnership Agreement,” “MANAGEMENT OF THE DISTRICT—Bond Counsel and General Counsel,” “TAX PROCEDURES,” and “LEGAL MATTERS” solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm'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 of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). 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.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

Qualified Tax-Exempt Obligations

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, 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, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health-insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

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

Under Existing Law, 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. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and 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, 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 ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds is greater than the amount payable on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. PURCHASERS OF THE PREMIUM BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION OF AMORTIZABLE BOND PREMIUM WITH RESPECT TO THE PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

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

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take up and pay for the Bonds, and 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 or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the Date of Delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and will assign municipal bond ratings of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. S&P has assigned an underlying rating of “A-” to the Bonds. An explanation of the ratings may be obtained from S&P.

The rating reflects only the view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND INSURANCE

Municipal 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 APPENDIX B to this OFFICIAL STATEMENT.

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

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 June 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.6 million, $165.5 million and $323.1 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 "MUNICIPAL 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.

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets Inc. (the "Underwriter") bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.9520% of the principal amount thereof which resulted in a net effective interest rate of 2.171382% as calculated pursuant to Chapter 1204, Texas Government Code (the "IBA" method).

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" (as it relates to District facilities) has been provided by BGE, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by the Fort Bend Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Fort Bend County, including the District.

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

Auditor: The financial statements of the District as of September 30, 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 A."

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "WATER AND SEWER OPERATIONS" has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

UPDATING OF OFFICIAL STATEMENT

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period," (as defined in Rule 15c(2)-12(f)(2) of the United States Securities and Exchange Commission (the "SEC")), if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements herein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not materially misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, be materially misleading. The District assumes no responsibility for supplementing this Official Statement thereafter.

CERTIFICATION OF OFFICIAL STATEMENT

The District, acting through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings ""FINANCIAL STATEMENT," "TAX DATA," and "WATER AND SEWER OPERATIONS," and "DEBT SERVICE REQUIREMENTS" (most of which information is contained in the District's annual audited financial statements) and in "APPENDIX A." The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2021.

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

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, 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 obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access 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 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement 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 operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. 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 reason 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.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas, as of the date shown on the cover page.

/s/Billy E. Haehnel
President, Board of Directors

ATTEST:

/s/Jose Torres
Secretary, Board of Directors

AERIAL PHOTOGRAPH

(Approximate boundaries as of August 2021)


Fort Bend County Municipal
Utility District No. 34
N
Grand Pkwy.
F.M. 1093

PHOTOGRAPHS

The following photographs were taken in the District in August 2021 solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if additional improvements will be constructed in the future.


tri pointe
HOMES
HAVEN AT SEVEN LAKES
NEW HOME
GALLERY
Mon-Sat 10-6 | Sun 12-6 + TriPointeHomes.com


tri pointe
HOMES
281.675.3368
TriPointeHomes.com
SOLD


BMC
tri pointe


CUBESMART
self storage
CONTACT-FREE RENTALS
RENT ONLINE
CUBESMART


23702
Grand Fountain
FIRE LANE TOW AWAY ZONE


CORTLAND
SEVEN MEADOWS

APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2020

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2020

CPAs & Advisors

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas
September 30, 2020

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 34,
of 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. 34, of Fort Bend County, Texas (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 September 30, 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 schedules 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
February 11, 2021

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Management's Discussion and Analysis

September 30, 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.

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.

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	$ 7,704,451	$ 7,014,431
Capital assets	16,766,038	17,077,415
Total assets	24,470,489	24,091,846
Deferred outflows of resources	568,182	616,913
Total assets and deferred outflows of resources	$ 25,038,671	$ 24,708,759
Long-term liabilities	$ 14,123,032	$ 15,123,632
Other liabilities	1,154,950	888,605
Total liabilities	15,277,982	16,012,237
Net position:		
Net investment in capital assets	3,211,188	2,570,696
Restricted	1,142,124	1,116,572
Unrestricted	5,407,377	5,009,254
Total net position	$ 9,760,689	$ 8,696,522

The total net position of the District increased by $1,064,167, or about 12 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. 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.

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	$ 2,560,821	$ 2,597,119
Sales tax rebates	3,281	-
Charges for services	3,792,113	3,556,510
Other revenues	191,935	230,228
Total revenues	6,548,150	6,383,857
Expenses:		
Services	4,389,926	4,004,976
Depreciation	571,889	580,988
Debt service	522,168	535,162
Total expenses	5,483,983	5,121,126
Change in net position	1,064,167	1,262,731
Net position, beginning of year	8,696,522	7,433,791
Net position, end of year	$ 9,760,689	$ 8,696,522

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2020, were $6,578,201, an increase of $444,025 from the prior year.

The general fund's fund balance increased by $404,714, primarily due to property taxes and service revenues in excess of service operation expenditures.

The water plant fund's fund balance increased by $48,936 due to an increase in the District's share of the operating reserve.

The wastewater plant fund's fund balance increased by $24,186 due to an increase in the District's share of the operating reserve.

The debt service fund's fund balance decreased by $33,811 because bond principal and interest requirements were greater than property tax revenues generated.

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 property tax revenues, purchased services, and repairs and maintenance expenditures being higher than expected, as well as capital outlay and professional fee expenditures being lower than expected. In addition, interfund transfers were not included in the current year budget. The fund balance as of September 30, 2020, was expected to be $4,749,155 and the actual end-of-year fund balance was $5,403,072.

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 below:

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	$ 4,941,340	$ 4,850,353
Construction in progress	267,749	7,237
Water facilities	4,230,328	4,437,967
Wastewater facilities	4,029,677	4,237,448
Drainage facilities	3,014,665	3,236,160
Park facilities	282,279	308,250
Total capital assets	$ 16,766,038	$ 17,077,415

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

Construction in progress related to the water plant No. 1 rehabilitation and fence replacement at the joint water and wastewater plants	$ 260,512

Developers within the District have constructed 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. As of September 30, 2020, a liability for developer-constructed capital assets of $99,900 has been recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Long-term debt payable, beginning of year	$	15,123,632
Decreases in long-term debt		(1,000,600)
Long-term debt payable, end of year	$	14,123,032

At September 30, 2020, the District had $10,685,000 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.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The Series 2012 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014 and 2015 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Corporation.

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. In addition, the District may be annexed by the City without the District's consent, if the City complies with the procedures and requirements of Chapter 43, Texas Local Government Code.

Strategic Partnership Agreement

Effective May 8, 2012, the District entered into a Strategic Partnership Agreement (the Agreement) with the City which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Agreement, the City agreed it will not annex the District as a whole for full purposes for 30 years. By law, if the City chooses to annex the District during the term of the Agreement, the Agreement's annexation procedures will apply rather than those otherwise applicable under Chapter 43, Texas Local Government Code.

Contingencies

Developers of the District are constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $1,492,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Event

On November 10, 2020, the District issued $2,870,000 in unlimited tax refunding bonds to refund $1,155,000 of outstanding Series 2012 refunding bonds and $1,670,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by $249,670 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $211,237.

Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2020

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets							
Cash	$ 49,354	$ 260,833	$ 123,290	$ 23,489	$ 456,966	$ -	$ 456,966
Certificates of deposit	2,640,000	-	-	720,000	3,360,000	-	3,360,000
Short-term investments	2,736,120	-	-	160,845	2,896,965	-	2,896,965
Receivables:							
Property taxes	4,305	-	-	5,422	9,727	-	9,727
Service accounts	311,053	-	-	-	311,053	-	311,053
Accrued interest	23,262	-	-	461	23,723	-	23,723
Interfund receivable	2,463	-	-	2,113	4,576	(4,576)	-
Due from participants	-	713,195	104,795	-	817,990	(189,027)	628,963
Due from others	10,766	-	-	-	10,766	-	10,766
Prepaid expenditures	6,288	-	-	-	6,288	-	6,288
Capital assets (net of accumulated depreciation):							
Land and improvements	-	-	-	-	-	4,941,340	4,941,340
Construction in progress	-	-	-	-	-	267,749	267,749
Infrastructure	-	-	-	-	-	11,556,949	11,556,949
Total assets	5,783,611	974,028	228,085	912,330	7,898,054	16,572,435	24,470,489
Deferred Outflows of Resources							
Deferred amount on debt refundings	0	0	0	0	0	568,182	568,182
Total assets and deferred outflows of resources	$ 5,783,611	$ 974,028	$ 228,085	$ 912,330	$ 7,898,054	$ 17,140,617	$ 25,038,671

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

September 30, 2020

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Liabilities							
Accounts payable	$ 291,371	$ 378,902	$ 78,791	$ 1,845	$ 750,909	$ (189,027)	$ 561,882
Retainage payable	-	44,689	541	-	45,230	-	45,230
Accrued interest payable	-	-	-	-	-	38,427	38,427
Customer deposits	82,750	-	-	-	82,750	-	82,750
Operating deposits	-	337,320	89,341	-	426,661	-	426,661
Interfund payable	2,113	-	-	2,463	4,576	(4,576)	-
Long-term liabilities:							
Due within one year	-	-	-	-	-	1,005,000	1,005,000
Due after one year	-	-	-	-	-	13,118,032	13,118,032
Total liabilities	376,234	760,911	168,673	4,308	1,310,126	13,967,856	15,277,982
Deferred Inflows of Resources							
Deferred property tax revenues	4,305	0	0	5,422	9,727	(9,727)	0

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

September 30, 2020

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Fund Balances/Net Position							
Fund balances:							
Nonspendable, prepaid expenditures	$ 6,288	$ -	$ -	$ -	$ 6,288	$ (6,288)	$ -
Restricted, unlimited tax bonds	-	-	-	902,600	902,600	(902,600)	-
Committed:							
Water production and distribution	-	213,117	-	-	213,117	(213,117)	-
Wastewater treatment	-	-	59,412	-	59,412	(59,412)	-
Assigned, future expenditures	622,887	-	-	-	622,887	(622,887)	-
Unassigned	4,773,897	-	-	-	4,773,897	(4,773,897)	-
Total fund balances	5,403,072	213,117	59,412	902,600	6,578,201	(6,578,201)	0
Total liabilities, deferred inflows of resources and fund balances	$ 5,783,611	$ 974,028	$ 228,085	$ 912,330	$ 7,898,054		
Net position:							
Net investment in capital assets						3,211,188	3,211,188
Restricted for plant operations						272,529	272,529
Restricted for debt service						869,595	869,595
Unrestricted						5,407,377	5,407,377
Total net position						$ 9,760,689	$ 9,760,689

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2020

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues							
Property taxes	$ 1,140,068	$ -	$ -	$ 1,435,972	$ 2,576,040	$ (15,219)	$ 2,560,821
Sales tax rebates	3,281	-	-	-	3,281	-	3,281
Water service	453,273	3,118,489	-	-	3,571,762	(1,432,578)	2,139,184
Sewer service	557,228	-	569,403	-	1,126,631	(259,038)	867,593
Regional water fee	785,336	-	-	-	785,336	-	785,336
Penalty and interest	15,932	-	-	19,759	35,691	(7,294)	28,397
Tap connection and inspection fees	4,490	-	-	-	4,490	-	4,490
Investment income	87,128	699	-	26,381	114,208	-	114,208
Other income	41,847	-	14,947	46	56,840	(12,000)	44,840
Total revenues	3,088,583	3,119,188	584,350	1,482,158	8,274,279	(1,726,129)	6,548,150
Expenditures/Expenses							
Service operations:							
Purchased services	1,397,110	1,480,564	-	-	2,877,674	(1,397,110)	1,480,564
Regional water fee	-	842,050	-	-	842,050	-	842,050
Professional fees	143,081	11,168	3,784	6,611	164,644	-	164,644
Contracted services	386,354	15,880	17,561	35,595	455,390	-	455,390
Utilities	98,604	104,651	93,109	-	296,364	-	296,364
Repairs and maintenance	413,992	96,432	402,160	-	912,584	40,276	952,860
Other expenditures	59,347	20,494	29,411	8,813	118,065	79,989	198,054
Capital outlay	101,009	547,949	38,325	-	687,283	(687,283)	-
Depreciation	-	-	-	-	-	571,889	571,889
Debt service:							
Principal retirement	-	-	-	975,000	975,000	(975,000)	-
Interest and fees	-	-	-	489,950	489,950	20,968	510,918
Debt issuance costs	11,250	-	-	-	11,250	-	11,250
Total expenditures/expenses	2,610,747	3,119,188	584,350	1,515,969	7,830,254	(2,346,271)	5,483,983

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended September 30, 2020

	General Fund	Water Plant Fund	Wastewater Treatment Plant Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Excess (Deficiency) of Revenues Over Expenditures	$ 477,836	$ -	$ -	$ (33,811)	$ 444,025	$ 620,142	
Other Financing Sources (Uses)							
Interfund transfers in (out)	(73,122)	48,936	24,186	-	-	-	
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	404,714	48,936	24,186	(33,811)	444,025	(444,025)	
Change in Net Position						1,064,167	$ 1,064,167
Fund Balances/Net Position							
Beginning of year	4,998,358	164,181	35,226	936,411	6,134,176	-	8,696,522
End of year	$ 5,403,072	$ 213,117	$ 59,412	$ 902,600	$ 6,578,201	$ 0	$ 9,760,689

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

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas (the District), was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective March 10, 1981, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water 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.

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.

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 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.

Water Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is water service revenues.

Wastewater Treatment Plant Fund – Accounts for revenues and expenditures involving specific revenue sources that are legally restricted to expenditures for specified purposes. The primary source of revenue is sewer service revenues.

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.

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.

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.

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 and 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 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.

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 September 30, 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 September 30, 2020, the 2019 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:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45
Parks and recreational facilities	10-20

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.

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.	$	16,766,038
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		9,727

Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	$	568,182
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.		(38,427)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(14,123,032)
Adjustment to fund balances to arrive at net position.	$	3,182,488

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:

Change in fund balances.	$	444,025
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 depreciation and noncapitalized costs exceed capital outlay expenditures in the current period.		(311,377)
Governmental funds report principal payments on debt as expenditures. For the statement of activities, these transactions do not have any effect on net position.		975,000
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.		(22,513)
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.		(20,968)
Change in net position of governmental activities.	$	1,064,167

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 September 30, 2020, none of the District's bank balances were exposed to custodial credit risk.

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 Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

At September 30, 2020, the District had the following investments and maturities.

		Maturities in Years			
Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Texas CLASS	$ 2,896,965	$ 2,896,965	$ 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 September 30, 2020, the District's investments in Texas CLASS 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 September 30, 2020, as follows:

Carrying value:	
Deposits	$ 3,816,966
Investments	2,896,965
Total	$ 6,713,931

Included in the following statement of net position captions:

Cash	$ 456,966
Certificates of deposit	3,360,000
Short-term investments	2,896,965
Total	$ 6,713,931

Investment Income

Investment income of $114,208 for the year ended September 30, 2020, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurement as of September 30, 2020:

- Pooled investments of $2,896,965 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi-fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 4,850,353	$ -	$ 90,987	$ 4,941,340
Construction in progress	7,237	260,512	-	267,749
Total capital assets, non-depreciable	4,857,590	260,512	90,987	5,209,089
Capital assets, depreciable:				
Water production and distribution facilities	7,278,848	-	-	7,278,848
Wastewater collection and treatment facilities	7,281,689	-	-	7,281,689
Drainage facilities	6,036,596	-	(90,987)	5,945,609
Park facilities	412,264	-	-	412,264
Total capital assets, depreciable	21,009,397	0	(90,987)	20,918,410
Less accumulated depreciation:				
Water production and distribution facilities	(2,840,881)	(207,639)	-	(3,048,520)
Wastewater collection and treatment facilities	(3,044,241)	(207,771)	-	(3,252,012)
Drainage facilities	(2,800,436)	(130,508)	-	(2,930,944)
Park facilities	(104,014)	(25,971)	-	(129,985)
Total accumulated depreciation	(8,789,572)	(571,889)	0	(9,361,461)
Total governmental activities, net	$ 17,077,415	$ (311,377)	$ 0	$ 16,766,038

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Notes to Financial Statements

September 30, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:				
General obligation bonds	$ 14,840,000	$ 975,000	$ 13,865,000	$ 1,005,000
Add premiums on bonds	261,654	29,914	231,740	-
Less discounts on bonds	77,922	4,314	73,608	-
	15,023,732	1,000,600	14,023,132	1,005,000
Due to developers	99,900	-	99,900	-
Total governmental activities long-term liabilities	$ 15,123,632	$ 1,000,600	$ 14,123,032	$ 1,005,000

General Obligation Bonds

	Refunding Series 2012	Series 2013
Amounts outstanding, September 30, 2020	$1,410,000	$1,830,000
Interest rates	4.00%	2.50% to 3.25%
Maturity dates, serially beginning/ending	September 1, 2021/2025	September 1, 2021/2035
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2020	September 1, 2020

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

	Refunding Series 2014	Refunding Series 2015
Amounts outstanding, September 30, 2020	$4,345,000	$6,280,000
Interest rates	3.00% to 3.75%	2.250% to 3.375%
Maturity dates, serially beginning/ending	September 1, 2021/2028	September 1, 2021/2033
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2022	September 1, 2023

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2020:

Year	Principal	Interest	Total
2021	$ 1,005,000	$ 461,119	$ 1,466,119
2022	1,015,000	429,757	1,444,757
2023	1,040,000	395,132	1,435,132
2024	1,055,000	358,632	1,413,632
2025	1,075,000	321,232	1,396,232
2026-2030	5,570,000	1,044,358	6,614,358
2031-2035	3,105,000	243,731	3,348,731
Total	$ 13,865,000	$ 3,253,961	$ 17,118,961

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount.

Bonds voted	$	35,650,000
Bonds sold		24,965,000
Refunding bonds voted		33,500,000
Refunding bonds authorization used		1,665,596

Due to Developers

Developers of the District have constructed facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects are $99,900. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Order and Commission Requirements

The Bond Orders 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 September 30, 2020, the District levied an ad valorem debt service tax at the rate of $0.340 per $100 of assessed valuation, which resulted in a tax levy of $1,427,439 on the taxable valuation of $419,835,028 for the 2019 tax year. The interest and principal requirements paid from the tax revenues and other available funds were $1,462,081.

Note 6: Maintenance Taxes

At an election held November 3, 1981, voters authorized a maintenance tax not to exceed $0.50 per $100 valuation on all property within the District subject to taxation. During the year ended September 30, 2020, the District levied an ad valorem maintenance tax at the rate of $0.2700 per $100 of assessed valuation, which resulted in a tax levy of $1,133,555 on the taxable valuation of $419,835,028 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Contracts With Other Districts

Waste Disposal Agreement

On April 27, 1999, the District and Fort Bend County Municipal Utility District No. 35 (District No. 35) entered into a waste disposal agreement. Under the terms of the agreement, which was last amended May 1, 2019, the District has 297,000 gallons per day of capacity and District No. 35 has

703,000 gallons per day of capacity. Operation and maintenance costs are to be shared based on active connections served by the plant. In the current year, the District's share of operating costs is $244,861. The transactions for the plant during the current year are as shown below:

	The District	District No. 35	Total
Due from participants, beginning of year	$ 16,051	$ 31,734	$ 47,785
Current year billings	244,861	324,542	569,403
Current year collections	(226,089)	(286,304)	(512,393)
Due from participants, end of year	$ 34,823	$ 69,972	$ 104,795

District No. 35 and the District have deposited $89,341 and $59,412, respectively, as plant operating reserves.

Water Supply Agreement

On April 27, 1999, the District and District No. 35 entered into a water supply agreement. The agreement was last amended May 1, 2019. Under the agreement, 2,154 equivalent single-family connections (ESFC) are currently reserved for the District and 2,383 ESFCs are reserved for District No. 35.

Operation and maintenance costs are to be shared by the District and District No. 35 based on ESFCs served by the water plant. The District's share of operating costs in the current year was $1,152,249, including $809,193 in regional water authority fees.

The transactions for the water plant during the current year are as follows:

	The District	District No. 35	Total
Due from participants, beginning of year	$ 97,388	$ 383,480	$ 480,868
Current year billings	1,152,249	1,966,240	3,118,489
Current year collections	(1,095,433)	(1,790,729)	(2,886,162)
Due from participants, end of year	$ 154,204	$ 558,991	$ 713,195

District No. 35 and the District have deposited $337,320 and $213,117, respectively, as plant operating reserves.

Note 8: 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 9: Regional Water Authority

The District is within the boundaries of the North Fort Bend Regional 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 September 30, 2020, the Authority was billing the District $3.95 per 1,000 gallons of water pumped from its wells and $4.30 per 1,000 gallons of surface water purchased from the Authority. These amounts are subject to future increases.

Note 10: Strategic Partnership Agreement

Effective May 8, 2012, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. By law, if the City chooses to annex the District during the term of the Agreement, the Agreement's annexation procedures will apply rather than those otherwise applicable under Chapter 43, Texas Local Government Code. During the current year, the District recorded $3,281 in revenues related to the Agreement.

Note 11: Contingencies

Developers of the District are constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $1,492,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12: Subsequent Event

On November 10, 2020, the District issued $2,870,000 in unlimited tax refunding bonds to refund $1,155,000 of outstanding Series 2012 refunding bonds and $1,670,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by $249,670 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $211,237.

Note 13: 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.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 1,100,000	$ 1,140,068	$ 40,068
Sales tax rebates	-	3,281	3,281
Water service	457,200	453,273	(3,927)
Sewer service	565,000	557,228	(7,772)
Regional water fee	775,949	785,336	9,387
Penalty and interest	15,600	15,932	332
Tap connection and inspection fees	4,900	4,490	(410)
Investment income	82,490	87,128	4,638
Other	42,037	41,847	(190)
Total revenues	3,043,176	3,088,583	45,407
Expenditures			
Service operations:			
Purchased services	1,129,626	1,397,110	(267,484)
Professional fees	168,000	143,081	24,919
Contracted services	378,220	386,354	(8,134)
Utilities	109,000	98,604	10,396
Repairs and maintenance	366,937	413,992	(47,055)
Other expenditures	75,890	59,347	16,543
Capital outlay	1,064,706	101,009	963,697
Debt issuance costs	-	11,250	(11,250)
Total expenditures	3,292,379	2,610,747	681,632
Excess (Deficiency) of Revenues Over Expenditures	(249,203)	477,836	727,039
Other Financing Uses			
Interfund transfers out	-	(73,122)	(73,122)
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(249,203)	404,714	653,917
Fund Balance, Beginning of Year	4,998,358	4,998,358	-
Fund Balance, End of Year	$ 4,749,155	$ 5,403,072	$ 653,917

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Budgetary Comparison Schedule – Water Plant Fund

Year Ended September 30, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	$ 1,254,652	$ 1,152,249	$ (102,403)
District No. 35	2,023,918	1,966,240	(57,678)
Investment income	800	699	(101)
Total revenues	3,279,370	3,119,188	(160,182)
Expenditures			
Service operations:			
Purchased services	-	1,480,564	(1,480,564)
Regional water fee	2,200,000	842,050	1,357,950
Audit fees	2,400	2,400	-
Legal fees	5,000	3,249	1,751
Engineering fees	15,000	5,519	9,481
Mowing	8,040	7,776	264
Bookkeeping	7,600	8,267	(667)
Operator fees	7,200	7,613	(413)
Utilities	108,500	104,651	3,849
Repairs and maintenance	55,900	53,095	2,805
Telephone	1,980	2,035	(55)
Chemicals	41,300	35,561	5,739
Office supplies and postage	450	300	150
Insurance	10,300	10,837	(537)
Permit fees	3,200	-	3,200
Administrative	6,000	6,000	-
Other expenditures	1,500	1,322	178
Capital outlay	805,000	547,949	257,051
Total expenditures	3,279,370	3,119,188	160,182
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	48,936	48,936
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	48,936	48,936
Fund Balance, Beginning of Year	164,181	164,181	-
Fund Balance, End of Year	$ 164,181	$ 213,117	$ 48,936

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Budgetary Comparison Schedule – Wastewater Treatment Plant Fund

Year Ended September 30, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Service fees:			
The District	$ 356,482	$ 244,861	$ (111,621)
District No. 35	536,044	324,542	(211,502)
Other income	400	14,947	14,547
Total revenues	892,926	584,350	(308,576)
Expenditures			
Service operations:			
Audit fees	2,400	2,400	-
Legal fees	3,000	1,316	1,684
Engineering fees	10,000	68	9,932
Bookkeeping fees	7,600	8,084	(484)
Operator fees	8,400	9,477	(1,077)
Garbage	1,260	1,260	-
Utilities	90,200	93,109	(2,909)
Repairs and maintenance	128,400	89,860	38,540
Sludge removal	168,200	160,158	8,042
Mowing	3,696	3,696	-
Chemicals	100,200	108,996	(8,796)
Laboratory	42,700	39,450	3,250
Telephone	1,620	1,633	(13)
Office supplies and postage	450	382	68
Insurance	10,700	11,266	(566)
Permit fees	8,600	8,389	211
Administrative charge	6,000	6,000	-
Other	1,500	481	1,019
Capital outlay	298,000	38,325	259,675
Total expenditures	892,926	584,350	308,576
Excess of Revenues Over Expenditures	-	-	-
Other Financing Sources			
Interfund transfers in	-	24,186	24,186
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	-	24,186	24,186
Fund Balance, Beginning of Year	35,226	35,226	-
Fund Balance, End of Year	$ 35,226	$ 59,412	$ 24,186

Budgets and Budgetary Accounting

Annual operating budgets are prepared for the general, water plant and wastewater treatment plant funds by the District's Board and its consultants. The budgets reflect resources expected to be received during the current year and expenditures expected to be incurred. The Board of Directors is required to adopt the budgets prior to the start of its fiscal year. The budgets are not a spending limitation (a legally restricted appropriation). The original budgets of the general fund, water plant fund and wastewater treatment plant funds were not amended during fiscal year 2020.

The District prepares its annual operating budgets on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedules – General Fund, Water Plant and Wastewater Treatment Plant present 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. 34, of Fort Bend County, Texas

Other Schedules Included Within This Report

September 30, 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 15-30

[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. 34, of Fort Bend County, Texas

Schedule of Services and Rates

Year Ended September 30, 2020

1. Services provided by the District:

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	X Security
X Solid Waste/Garbage	___ Flood Control	___ Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

X Other Street lighting

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 20.00	10,000	N	$ 1.25	10,001	to	15,000
				$ 1.75	15,001	to	20,000
				$ 2.25	20,001	to	30,000
				$ 2.75	30,001	to	40,000
				$ 3.25	40,001	to	No Limit
Wastewater:	$ 38.56	0	Y				
Regional water fee:	$ 4.30	1	N	$ 4.30	1,001	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 63.00 Wastewater $ 38.56

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	879	873	x1.0	873
1"	85	85	x2.5	213
1 1/2"	2	2	x5.0	10
2"	27	27	x8.0	216
3"	-	-	x15.0	-
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	997	991		1,577
Total wastewater	948	942	x1.0	942

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

Gallons pumped into the system:	568,006
Gallons billed to customers:	538,549
Water accountability ratio (gallons billed/gallons pumped):	94.81%

*"ESFC" means equivalent single-family connections

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of General Fund Expenditures

Year Ended September 30, 2020

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 20,500	
Legal	84,690	
Engineering	37,891	
Financial advisor	-	143,081
Purchased Services for Resale		
Bulk water and wastewater service purchases		1,397,110
Regional Water Fee		-
Contracted Services		
Bookkeeping	31,883	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	73,092	
Other contracted services	83,390	188,365
Utilities		98,604
Repairs and Maintenance		413,992
Administrative Expenditures		
Directors' fees	8,700	
Office supplies	3,998	
Insurance	5,251	
Other administrative expenditures	41,398	59,347
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	101,009	101,009
Tap Connection Expenditures		-
Solid Waste Disposal		197,989
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		11,250
Total expenditures		$ 2,610,747

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Temporary Investments

September 30, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 5000020106	0.75%	04/20/21	$ 240,000	$ 804
No. 91300011928582	0.70%	07/27/21	240,000	308
No. 430	1.80%	01/28/21	240,000	2,876
No. 11948	1.90%	11/03/20	240,000	4,123
No. 80000330	0.39%	09/18/21	240,000	31
No. 4189689	1.70%	12/29/20	240,000	3,085
No. 20000000102	2.00%	10/16/20	240,000	4,589
No. 16017	1.10%	03/21/21	240,000	1,396
No. 320184	0.50%	06/17/21	240,000	345
No. 6000029741	1.80%	01/15/21	240,000	3,054
No. 9009004443	1.80%	02/18/21	240,000	2,651
Texas CLASS	0.22%	Demand	2,736,120	-
			5,376,120	23,262
Debt Service Fund				
Certificates of Deposit				
No. 91300011930152	0.45%	02/14/21	240,000	127
No. 6000045838	0.70%	02/08/21	240,000	226
No. 6002400918	0.50%	02/24/21	240,000	108
Texas CLASS	0.22%	Demand	160,845	-
			880,845	461
Totals			$ 6,256,965	$ 23,723

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Analysis of Taxes Levied and Receivable

Year Ended September 30, 2020

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 10,896	$ 14,050
Additions and corrections to prior years' taxes	(78)	(95)
Adjusted receivable, beginning of year	10,818	13,955
2019 Original Tax Levy	1,130,749	1,423,906
Additions and corrections	2,806	3,533
Adjusted tax levy	1,133,555	1,427,439
Total to be accounted for	1,144,373	1,441,394
Tax collections: Current year	(1,130,470)	(1,423,555)
Prior years	(9,598)	(12,417)
Receivable, end of year	$ 4,305	$ 5,422
Receivable, by Years		
2019	$ 3,085	$ 3,884
2018	1,220	1,538
Receivable, end of year	$ 4,305	$ 5,422

Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2020

	2019	2018	2017	2016
Property Valuations				
Land	$ 78,968,340	$ 78,732,820	$ 73,162,910	$ 69,542,590
Improvements	356,530,138	362,765,929	368,418,325	360,509,885
Personal property	3,626,440	3,755,440	3,480,060	2,985,050
Exemptions	(19,289,890)	(19,379,515)	(22,012,109)	(20,699,660)
Total property valuations	$ 419,835,028	$ 425,874,674	$ 423,049,186	$ 412,337,865
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.3400	$ 0.3400	$ 0.3400	$ 0.3600
Maintenance tax rates*	0.2700	0.2700	0.2700	0.2600
Total tax rates per $100 valuation	$ 0.6100	$ 0.6100	$ 0.6100	$ 0.6200
Tax Levy	$ 2,560,994	$ 2,597,836	$ 2,580,601	$ 2,556,494
Percent of Taxes Collected to Taxes Levied**	99%	99%	100%	100%

*Maximum tax rate approved by voters: $0.50 on November 3, 1981
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Long-term Debt Service Requirements by Years

September 30, 2020

Due During Fiscal Years Ending September 30	Refunding Series 2012 Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 255,000	$ 56,400	$ 311,400
2022	270,000	46,200	316,200
2023	280,000	35,400	315,400
2024	295,000	24,200	319,200
2025	310,000	12,400	322,400
Totals	$ 1,410,000	$ 174,600	$ 1,584,600

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

	Series 2013		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2021	$ 50,000	$ 57,725	$ 107,725
2022	50,000	56,475	106,475
2023	60,000	55,225	115,225
2024	60,000	53,725	113,725
2025	60,000	51,925	111,925
2026	50,000	50,125	100,125
2027	50,000	48,625	98,625
2028	70,000	47,125	117,125
2029	90,000	44,850	134,850
2030	90,000	41,925	131,925
2031	100,000	39,000	139,000
2032	200,000	35,750	235,750
2033	200,000	29,250	229,250
2034	350,000	22,750	372,750
2035	350,000	11,375	361,375
Totals	$ 1,830,000	$ 645,850	$ 2,475,850

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

Due During Fiscal Years Ending September 30	Refunding Series 2014 Principal Due September 1	Refunding Series 2014 Interest Due March 1, September 1	Refunding Series 2014 Total
2021	$ 555,000	$ 151,113	$ 706,113
2022	555,000	134,463	689,463
2023	560,000	115,038	675,038
2024	560,000	95,438	655,438
2025	565,000	75,838	640,838
2026	825,000	56,063	881,063
2027	365,000	27,188	392,188
2028	360,000	13,500	373,500
Totals	$ 4,345,000	$ 668,641	$ 5,013,641

Fort Bend County Municipal Utility District No. 34,
of Fort Bend County, Texas
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2020

	Refunding Series 2015		
Due During Fiscal Years Ending September 30	**Principal Due September 1**	**Interest Due March 1, September 1**	**Total**
2021	$ 145,000	$ 195,881	$ 340,881
2022	140,000	192,619	332,619
2023	140,000	189,469	329,469
2024	140,000	185,269	325,269
2025	140,000	181,069	321,069
2026	240,000	176,869	416,869
2027	735,000	169,669	904,669
2028	725,000	147,619	872,619
2029	990,000	125,869	1,115,869
2030	980,000	94,931	1,074,931
2031	970,000	63,081	1,033,081
2032	610,000	31,556	641,556
2033	325,000	10,969	335,969
Totals	$ 6,280,000	$ 1,764,870	$ 8,044,870

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

	Annual Requirements For All Series		
Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 1,005,000	$ 461,119	$ 1,466,119
2022	1,015,000	429,757	1,444,757
2023	1,040,000	395,132	1,435,132
2024	1,055,000	358,632	1,413,632
2025	1,075,000	321,232	1,396,232
2026	1,115,000	283,057	1,398,057
2027	1,150,000	245,482	1,395,482
2028	1,155,000	208,244	1,363,244
2029	1,080,000	170,719	1,250,719
2030	1,070,000	136,856	1,206,856
2031	1,070,000	102,081	1,172,081
2032	810,000	67,306	877,306
2033	525,000	40,219	565,219
2034	350,000	22,750	372,750
2035	350,000	11,375	361,375
Totals	$ 13,865,000	$ 3,253,961	$ 17,118,961

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Changes in Long-term Bonded Debt

Year Ended September 30, 2020

	Bond	
	Refunding Series 2012	**Series 2013**
Interest rates	4.00%	2.50% to 3.25%
Dates interest payable	March 1/ September 1	March 1/ September 1
Maturity dates	September 1, 2021/2025	September 1, 2021/2035
Bonds outstanding, beginning of current year	$ 1,655,000	$ 1,880,000
Retirements, principal	245,000	50,000
Bonds outstanding, end of current year	$ 1,410,000	$ 1,830,000
Interest paid during current year	$ 61,912	$ 58,975

Paying agent's name and address:

Series 2012	- Wells Fargo Bank Texas, N.A., Houston, Texas
Series 2013	- Wells Fargo Bank Texas, N.A., Houston, Texas
Series 2014	- Wells Fargo Bank, N.A., Minneapolis, Minnesota
Series 2015	- Regions Bank, Houston, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 35,650,000	0	$ 33,500,000
Amount issued	$ 24,965,000	0	$ 1,665,596
Remaining to be issued	$ 10,685,000	0	$ 31,834,404

Debt service fund cash and temporary investment balances as of September 30, 2020:	$ 904,334
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,141,264

Issues

Refunding Series 2014	Refunding Series 2015	Totals
3.00% to 3.75%	2.250% to 3.375%	
March 1/ September 1	March 1/ September 1	
September 1, 2021/2028	September 1, 2021/2033	
$ 4,905,000	$ 6,400,000	$ 14,840,000
560,000	120,000	975,000
$ 4,345,000	$ 6,280,000	$ 13,865,000
$ 167,913	$ 198,281	$ 487,081

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended September 30,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	$ 1,140,068	$ 1,145,424	$ 1,142,860	$ 1,066,666	$ 807,864
Sales tax rebates	3,281	-	-	-	-
Water service	453,273	452,840	472,581	472,342	485,431
Sewer service	557,228	557,799	564,156	564,346	561,199
Regional water fee	785,336	712,096	732,346	686,834	601,611
Penalty and interest	15,932	15,713	12,127	18,629	16,920
Tap connection and inspection fees	4,490	13,045	3,960	3,963	3,840
Investment income	87,128	108,376	48,365	18,864	11,137
Other income	41,847	42,438	38,245	170,903	42,608
Total revenues	3,088,583	3,047,731	3,014,640	3,002,547	2,530,610
Expenditures					
Service operations:					
Purchased services	1,397,110	1,079,209	1,030,276	1,136,599	950,586
Professional fees	143,081	161,768	143,746	144,771	155,549
Contracted services	386,354	365,628	354,196	379,721	405,525
Utilities	98,604	105,793	124,036	103,664	117,814
Repairs and maintenance	413,992	352,782	439,603	403,407	346,814
Other expenditures	59,347	74,358	91,626	81,620	63,699
Tap connections	-	7,950	-	-	-
Capital outlay	101,009	224,103	16,129	194,076	435,698
Debt issuance costs	11,250	-	-	-	-
Total expenditures	2,610,747	2,371,591	2,199,612	2,443,858	2,475,685
Excess of Revenues Over Expenditures	477,836	676,140	815,028	558,689	54,925
Other Financing Sources (Uses)					
Interfund transfers in (out)	(73,122)	71,619	-	11,944	(76,128)
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	404,714	747,759	815,028	570,633	(21,203)
Fund Balance, Beginning of Year	4,998,358	4,250,599	3,435,571	2,864,938	2,886,141
Fund Balance, End of Year	$ 5,403,072	$ 4,998,358	$ 4,250,599	$ 3,435,571	$ 2,864,938
Total Active Retail Water Connections	991	990	988	992	990
Total Active Retail Wastewater Connections	942	942	939	943	940

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
36.9 %	37.6 %	37.9 %	35.6 %	31.9 %
0.1	-	-	-	-
14.7	14.8	15.7	15.7	19.2
18.0	18.3	18.7	18.8	22.2
25.4	23.4	24.3	22.9	23.8
0.5	0.5	0.4	0.6	0.7
0.2	0.4	0.1	0.1	0.1
2.8	3.6	1.6	0.6	0.4
1.4	1.4	1.3	5.7	1.7
100.0	100.0	100.0	100.0	100.0
45.2	35.4	34.2	37.9	37.5
4.6	5.3	4.8	4.8	6.2
12.5	12.0	11.8	12.7	16.0
3.2	3.5	4.1	3.5	4.7
13.4	11.6	14.6	13.4	13.7
1.9	2.4	3.0	2.7	2.5
-	0.3	-	-	-
3.3	7.3	0.5	6.4	17.2
0.4	-	-	-	-
84.5	77.8	73.0	81.4	97.8
15.5 %	22.2 %	27.0 %	18.6 %	2.2 %

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended September 30,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	$ 1,435,972	$ 1,442,386	$ 1,439,467	$ 1,478,045	$ 1,505,728
Penalty and interest	19,759	20,613	20,111	15,448	13,820
Investment income	26,381	37,499	24,188	10,480	6,192
Other income	46	33	-	-	-
Total revenues	1,482,158	1,500,531	1,483,766	1,503,973	1,525,740
Expenditures					
Current:					
Professional fees	6,611	409	3,527	3,197	1,965
Contracted services	35,595	34,147	34,200	32,434	30,651
Other expenditures	8,813	8,480	6,738	7,031	4,918
Debt service:					
Principal retirement	975,000	955,000	955,000	950,000	930,000
Interest and fees	489,950	514,792	534,038	558,258	580,581
Total expenditures	1,515,969	1,512,828	1,533,503	1,550,920	1,548,115
Deficiency of Revenues Over Expenditures	(33,811)	(12,297)	(49,737)	(46,947)	(22,375)
Fund Balance, Beginning of Year	936,411	948,708	998,445	1,045,392	1,067,767
Fund Balance, End of Year	$ 902,600	$ 936,411	$ 948,708	$ 998,445	$ 1,045,392

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
96.9 %	96.1 %	97.0 %	98.3 %	98.7 %
1.3	1.4	1.4	1.0	0.9
1.8	2.5	1.6	0.7	0.4
0.0	0.0	-	-	-
100.0	100.0	100.0	100.0	100.0
0.4	0.0	0.2	0.2	0.1
2.4	2.3	2.3	2.2	2.0
0.6	0.6	0.5	0.5	0.3
65.8	63.6	64.4	63.1	61.0
33.1	34.3	36.0	37.1	38.1
102.3	100.8	103.4	103.1	101.5
(2.3) %	(0.8) %	(3.4) %	(3.1) %	(1.5) %

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Board Members, Key Personnel and Consultants

Year Ended September 30, 2020

Complete District mailing address:	Fort Bend County Municipal Utility District No. 34 c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Boulevard, Suite 1400 Houston, Texas 77056	
District business telephone number:	713.623.4531	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 26, 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
Billy E. Haehnel	Elected 05/20-05/24	$ 1,650	$ 0	President
James A. Marken	Elected 05/18-05/22	1,500	77	Vice President
Jose Torres	Elected 05/18-05/22	1,050	23	Secretary
Craig A. Hajovsky	Elected 05/18-05/22	2,400	898	Assistant Secretary
Sean Piper	Elected 05/20-05/24	2,100	838	Assistant Secretary

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

Fort Bend County Municipal Utility District No. 34, of Fort Bend County, Texas

Board Members, Key Personnel and Consultants (Continued)

Year Ended September 30, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BGE, Inc.	08/27/13	$ 122,182	Engineer
BKD, LLP	10/15/85	25,800	Auditor
Bob Leared Interests	01/13/83	25,392	Tax Assessor/ Collector
Fort Bend Central Appraisal District	Legislative Action	18,986	Appraiser
Masterson Advisors LLC	05/22/18	0	Financial Advisor
Municipal Accounts & Consulting, L.P.	07/07/81	53,080	Bookkeeper
Municipal Operations & Consulting, Inc.	06/01/12	794,559	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/11/97	6,611	Delinquent Tax Attorney
Schwartz, Page & Harding, L.L.P.	06/22/81	95,368	Attorney
Investment Officers			
Mark M. Burton and Ghia Lewis	07/27/04	N/A	Bookkeepers

APPENDIX B

Specimen 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)