

OFFICIAL STATEMENT DATED NOVEMBER 7, 2022

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL. HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—Book-Entry-Only

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

\$2,570,000
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 169
(A political subdivision of the State of Texas located within Fort Bend County)
CONTRACT REVENUE BONDS (ROAD FACILITIES)
SERIES 2022A

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

Dated Date: December 1, 2022

Due: December 1, as shown below

Interest Accrual Date: Date of Delivery

The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar" or "Paying Agent"), in Houston, Texas. Interest on the Bonds accrues from the date of delivery (expected to be December 8, 2022) (the "Date of Delivery"), and is payable June 1, 2023, and each December 1 and June 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360 day year of twelve 30 day months.

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



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

MATURITY SCHEDULE

Due (December 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)	Due (December 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (c)	CUSIP Number (b)
2024	\$ 270,000	6.50%	4.00%	34682H ZV1	2026	\$ 100,000	6.50%	4.15%	34682H ZX7
2025	200,000	6.50	4.10	34682H ZW9	2027	100,000	6.50	4.18	34682H ZY5

\$200,000 Term Bonds due December 1, 2029 (a), 34682H A22 (b), 4.00% Interest Rate, 4.200% Yield (c)
\$200,000 Term Bonds due December 1, 2031 (a), 34682H A48 (b), 4.00% Interest Rate, 4.400% Yield (c)
\$200,000 Term Bonds due December 1, 2033 (a), 34682H A63 (b), 4.25% Interest Rate, 4.600% Yield (c)
\$200,000 Term Bonds due December 1, 2035 (a), 34682H A89 (b), 4.50% Interest Rate, 4.800% Yield (c)
\$200,000 Term Bonds due December 1, 2037 (a), 34682H B21 (b), 4.75% Interest Rate, 4.900% Yield (c)
\$200,000 Term Bonds due December 1, 2039 (a), 34682H B47 (b), 4.75% Interest Rate, 5.000% Yield (c)
\$300,000 Term Bonds due December 1, 2042 (a), 34682H B70 (b), 4.75% Interest Rate, 5.050% Yield (c)
\$400,000 Term Bonds due December 1, 2046 (a), 34682H C38 (b), 5.00% Interest Rate, 5.109% Yield (c)

- (a) Bonds maturing on or after December 1, 2029, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on December 1, 2028, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.

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

The Bonds are offered, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about December 8, 2022, in Houston, Texas.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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 until the delivery of the Bonds to the Underwriter and thereafter only as described in "PREPARATION OF THE OFFICIAL STATEMENT—Updating the 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 C—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

GeneralThe purchase and ownership of the Bonds is subject to certain investment considerations, including certain factors related to the current COVID-19 pandemic. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

THE MASTER DISTRICT

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

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

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

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

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

Landmark Industries Inc. (“Landmark”) originally owned a 71 acre site within the boundaries of MUD 173 which is being developed for commercial purposes. Landmark has developed or sold 30 acres of the approximately 71 acre site within MUD 173 which it owned. As of January 1, 2022, Landmark owned approximately 41 acres of land in MUD 173.

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

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

Taylor Morrison of Texas Inc. (“Taylor Morrison”) owns approximately 30 acres in the District which is planned to be developed as the remaining sections of the single family subdivision of Bonterra, including 10 acres currently under construction for Bonterra at Cross Creek Ranch Section 11b.

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

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

Homebuilders Homebuilders in the Service Area include Partners in Building, Highland Homes, Darling Homes, Perry Homes, Newmark Homes Houston, Taylor Morrison Homes, Chesmar Homes, Lennar Homes and TriPointe Homes. Homes in the Service Area range in sales price from approximately \$310,000 to \$1,300,000. Homebuilding is currently occurring in the District, MUD 170 and MUD 171. See “THE DEVELOPERS—Homebuilding.”

Status of Development *Single-Family Residential:* Development in the Service Area currently consists of the residential development within the District, MUD 170, MUD 171, MUD 172, and MUD 173. Homes within the Service Area range in price from approximately \$310,000 to over \$1,300,000. As of August 25, 2022, there were 4,941 occupied completed homes in the Service Area, 72 unoccupied completed homes (13 of which are model homes), 177 homes under construction (103 homes are not under contract for purchase and 74 homes are under contract for purchase), 581 developed lots available for home construction and 41 lots on approximately 10 acres currently under construction.

Commercial: A credit union has been constructed on approximately 2 acres in MUD 170. The Marcel Town Center has been constructed on approximately 11 acres in MUD 170, and the City has purchased approximately 40.5% of the retail space (see “*Tax Exempt Property*” below). An Ivy Kids Day Care has been constructed on approximately 2 acres in MUD 171. A CVS Pharmacy, the Children’s Lighthouse Daycare facility, three shopping centers, the Cross Creek Office Complex, an Aldi’s Grocery, a coffee shop and a veterinary clinic have been constructed in MUD 172 on approximately 23 acres of land. The Market at Cross Creek Ranch, multiple fast food restaurants, a convenience store, two automotive stores, two banks, the Shops at Cross Creek Ranch, a day care, a self storage facility and Cross Creek Plaza Phase I have been constructed in MUD 173 on approximately 54 acres of land. A HEB Grocery Store has been constructed on a 14 acre tract of land in MUD 173. A dermatology clinic, a restaurant and Cross Creek Plaza Phase II are currently under construction on approximately 5 acres in MUD 173.

Multifamily: The Parklane Fulshear Apartments (390 units) have been constructed on approximately 22 acres in MUD 173. The Broadstone Fulshear Apartments are currently under construction on approximately 15 acres in the District. The Cross Creek Ranch II Apartments are under construction on approximately 15 acres in MUD 170. Additionally, a senior independent living facility is under construction on approximately 8 acres in MUD 171.

Tax-Exempt Property: The following properties in the District mentioned herein are exempt from the payment of ad valorem taxes. The Saint Faustina Catholic Church has been constructed on approximately 33 acres of land in MUD 171. An elementary school has been constructed on a 14 acre tract in MUD 173 owned by Katy Independent School District. A middle school and a high school have been constructed in MUD 173 on approximately 111 acres owned by Katy Independent School District. An elementary school has been constructed on approximately 14 acres of land in MUD 172 owned by Katy Independent School District. A Fort Bend County Public Safety Annex has been constructed on approximately 3 acres in MUD 173. A fire station for Fort Bend County Emergency Services District No. 4 has been constructed on approximately 3 acres in MUD 170. In addition, Lamar Consolidated Independent School District owns approximately 15 acres of land in the District, on which no improvements have been constructed.

The Marcel Town Center has been constructed on approximately 11 acres in the District and includes 7 buildings totaling approximately 70,000 square feet of retail space. On June 18, 2021, the City purchased a portion of the land and improvements on such approximately 11 acres from Marcel Town Center Cross Creek LLC. The City purchased approximately 40.5% of the retail space, which will be used as a city hall, police station, and for other municipal purposes. The taxable assessed value of the Marcel Town Center remains uncertified and subject to review and downward revision prior to certification. The portion of the property purchased by the City is exempt from the payment of ad valorem taxes, which will be reflected on the 2022 tax roll once the value is certified. The remaining land and improvements will be fully taxable.

District/Recreation Facilities: A Welcome Center, which includes the Cross Creek Fitness Center, the Adventure Island Water Park, Italian Maid and a 70-foot observation tower, has been constructed on approximately 7 acres of land in MUD 171. The Bonterra Recreation Center has also been constructed on approximately 4 acres in MUD 170 and the Flewellen Park recreation facilities have been constructed on approximately 10 acres in MUD 172.

In addition, there are approximately 83 developable acres in the Service Area that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 709 acres that are currently considered not developable. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots,” “THE DISTRICT AND THE SERVICE AREA—Land Use,” “—Status of Development,” and “APPENDIX A.”

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

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

Payment HistoryThe Master District has previously issued thirteen series of contract revenue bonds in the principal amount of \$144,610,000 to fund Master District Water/Sewer/Drainage Facilities, seven series of contract revenue bonds in the principal amount of \$72,790,000 to fund Master District Road Facilities, four series of water/sewer/drainage contract revenue refunding bonds in the principal amount of \$29,270,000, and one series of road contract revenue refunding bonds in the principal amount of \$9,910,000, of which \$190,350,000 collectively remains outstanding (the “Outstanding Bonds”). The Bonds are the Master District's twenty-sixth issuance of contract revenue bonds and the eighth to be issued as Road Contract Revenue Bonds for the purpose of constructing and acquiring Master District Road Facilities. The Master District has never defaulted in the timely payment of principal or interest on its previously issued bonds.

THE BONDS

- Description*.....Fort Bend County Municipal Utility District No. 169 Contract Revenue Bonds (Road Facilities), Series 2022A are being issued in the aggregate principal amount of \$2,570,000 as serial bonds maturing December 1 in each of the years 2024 through 2027, both inclusive, and as term bonds maturing on December 1 in each of the years 2029, 2031, 2033, 2035, 2037, 2039, 2042 and 2046 (the “Term Bonds”). Interest accrues from the Date of Delivery and is payable each June 1 and December 1, beginning June 1, 2023 at the rates per annum set forth on the cover page hereof. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000.
- Book-Entry-Only*The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
- Redemption*.....Bonds maturing on or after December 1, 2029 are subject to redemption at the option of the District prior to their maturity dates on December 1, 2028, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- Use of Proceeds*.....Proceeds of the Bonds will be used by the Master District to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used (1) to deposit into the Road Reserve Fund (defined below) an amount needed to satisfy the reserve requirement associated with the issuance of the Bonds, (2) to pay interest on funds advanced by a developer on behalf of the District, and (3) to pay certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Authority for Issuance*.....To provide Master District Road Facilities for the entire Service Area, the Master District is authorized by the Master District Contract to issue contract revenue bonds in an amount not to exceed \$121,450,000 in principal amount for the purpose of constructing and acquiring Master District Road Facilities and for the purpose of refunding such bonds. All of the \$121,450,000 of bonds mentioned above, including the Bonds, and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Road Facilities, or refunding of such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the “Road Contract Revenue Bonds.” All Road Contract Revenue Bonds issued by the Master District, including the Bonds, will be payable from the Road Contract Payments (as defined herein).
- The Bonds are issued pursuant to the Master District Contract, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), the Road Indenture (as defined herein), Article III, Section 52 of the Texas Constitution, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended. See “THE BONDS—Authority for Issuance” and “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Source and Security
of Payment*.....

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

The Bonds are secured under an Indenture of Trust dated as of August 1, 2012 (the "Road Indenture") between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the "Trustee"). Pursuant to the Road Indenture, the Master District has assigned and pledged to the Trustee for the benefit of the owners of the Bonds and all other Road Contract Revenue Bonds all of the Master District's right, title and interest in and to the Road Contract Payments under the Master District Contract, and the Trustee has the right to assert and enforce all of the Master District's rights and remedies under the Master District Contract relating to the Road Contract Revenue Bonds in the event of a default. Under the Road Indenture, the Trustee will maintain a Road Debt Service Fund for deposit of the Road Contract Payments in an amount equal to the annual principal and interest due on the Road Contract Revenue Bonds (the "Road Debt Service Fund"), and a reserve fund to be used to pay principal of and interest on the Road Contract Revenue Bonds when insufficient funds are available for such purpose in the Road Debt Service Fund, or to pay the principal of and interest on the Road Contract Revenue Bonds in connection with a refunding or redemption (the "Road Reserve Fund"). See "THE INDENTURE OF TRUST." The Road Reserve Requirement has been established in the Bond Resolution to be a sum of money equal to one half of the maximum annual debt service requirements on the Road Contract Revenue Bonds then outstanding. Any funds that are in excess of the Road Reserve Requirement held in the Road Reserve Fund may be deposited into the Road Debt Service Fund, as directed by the Master District's Board of Directors.

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

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). S&P has also assigned an underlying rating of "BBB-" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

*Qualified Tax-Exempt
Obligations*.....

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

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

Disclosure CounselMcCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

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

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

THE MASTER DISTRICT CONTRACT

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

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

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

The Master District Contract also requires each MUD Participant to make annual contract payments (“Water/Sewer/Drainage Contract Payment”) in an amount equal to its pro rata share of annual debt service on the Master District’s outstanding and future contract revenue bonds issued for the purpose of constructing or acquiring Master District Water/Sewer/Drainage Facilities or for the purpose of refunding such bonds (“Water/Sewer/Drainage Contract Revenue Bonds”) plus all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain certain funds, including the Water/Sewer/Drainage Reserve Fund, based upon the gross certified assessed valuation of each such MUD Participant as a percentage of the total gross certified assessed valuation of all MUD Participants. MUD Participants are obligated to pay Water/Sewer/Drainage Contract Payments to the Master District from the proceeds of an annual unlimited ad valorem tax levied for such purpose (the “Water/Sewer/Drainage Contract Tax”) or from any other lawful source of funds. The Water/Sewer/Drainage Contract Revenue Bonds are issued pursuant to an Indenture of Trust dated as of December 1, 2009, between the Master District and The Bank of New York Mellon Trust Company, N.A. (“Water/Sewer/Drainage Indenture”). The Road Contract Tax and Water/Sewer/Drainage Contract Tax are referred to herein collectively as the “Contract Tax.”

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

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

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

Contract Revenue Bonds of the Master District

Direct Debt (the Water/Sewer/Drainage Contract Revenue Bonds)	\$125,595,000
Direct Debt (the Road Contract Revenue Bonds, including the Bonds)	67,325,000
Estimated Overlapping Debt	220,707,218 (a)
Total Direct and Overlapping Debt	\$413,627,218

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

Assessed Valuations of the MUD Participants:

MUD Participant	MUD Participants' 2019 Certified Gross Assessed Valuation	MUD Participants' 2020 Certified Gross Assessed Valuation	MUD Participants' 2021 Certified Gross Assessed Valuation	MUD Participants' 2022 Gross Assessed Valuation (a)	MUD Participants' 9/1/22 Estimate Gross Assessed Valuation (b)	% of 2022 Gross Assessed Valuation
MUD 169	\$ 7,384,220	\$ 7,392,264	\$ 7,377,200	\$ 18,030,677	\$ 47,246,682	0.69%
MUD 170	212,892,024	272,554,564	352,539,081	561,097,672	622,085,418	21.38%
MUD 171	372,827,184	395,278,534	403,721,962	456,996,776	465,644,019	17.42%
MUD 172	614,411,011	704,851,868	819,642,855	981,246,831	982,122,990	37.40%
MUD 173	383,668,032	509,962,113	542,494,965	606,463,401	618,234,573	23.11%
	<u>\$ 1,591,182,471</u>	<u>\$ 1,890,039,343</u>	<u>\$ 2,125,776,063</u>	<u>\$ 2,623,835,356</u>	<u>\$ 2,735,333,682</u>	<u>100.00%</u>

(a) Includes 85% of the uncertified value provided by the Fort Bend Central Appraisal District (“Appraisal District”) for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

(b) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes for MUD 169, 170 and 172, which was calculated by updating the 2022 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. An estimate of valuation as of May 1, 2022 is shown for MUD 171 and 173. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

Direct Debt as a % of	
the 2022 Gross Assessed Valuation	7.35%
the Estimated Gross Assessed Valuation as of September 1, 2022	7.05%

Direct Debt and Estimated Overlapping Debt as a % of	
the 2022 Gross Assessed Valuation	15.76%
the Estimated Gross Assessed Valuation as of September 1, 2022	15.12%

MUD Participants' Summary of 2022 Gross Assessed Valuation

	Fort Bend Co MUD 169	Fort Bend Co MUD 170	Fort Bend Co MUD 171	Fort Bend Co MUD 172	Fort Bend Co MUD 173	Totals
Land	\$ 602,280	\$ 101,762,230	\$ 96,222,318	\$ 153,959,686	\$ 176,506,596	\$ 529,053,110
Improvements	-	489,420,284	441,712,869	979,679,159	746,922,567	2,657,734,879
Personal Property	-	2,504,765	3,310,853	6,831,356	15,463,518	28,110,492
Exemptions	(542,380)	(47,664,225)	(90,633,801)	(166,533,663)	(338,125,309)	(643,499,378)
Uncertified Value (a)	17,970,777	15,074,618	6,384,537	7,310,293	5,696,029	52,436,253
Totals	<u>\$ 18,030,677</u>	<u>\$ 561,097,672</u>	<u>\$ 456,996,776</u>	<u>\$ 981,246,831</u>	<u>\$ 606,463,401</u>	<u>\$ 2,623,835,356</u>

(a) Represents 85% of the uncertified value provided by Appraisal District for the District, MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

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

<u>MUD Participant</u>	<u>2022 Gross Assessed Valuation (a)</u>	<u>% of 2022 Gross Assessed Valuation as of 1/1/2022</u>
MUD 169	\$ 18,030,677	0.69%
MUD 170	561,097,672	21.38%
MUD 171	456,996,776	17.42%
MUD 172	981,246,831	37.40%
MUD 173	606,463,401	23.11%
Total of MUD Participants	\$ 2,623,835,356	100.00%

(a) Includes 85% of the uncertified value provided by Appraisal District for the District, MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

Status of Development as of August 25, 2022 (a):

District	Acreage	Completed Lots	Occupied Completed Homes (b)	Unoccupied Completed Homes (c)	Homes Under Construction Not Under Contract	Homes Under Construction Under Contract	Vacant Developed Lots	Lots Under Construction
MUD 169	321	432	4	13	52	40	323	0
MUD 170	848	1730	1390	53	42	33	212	41
MUD 171	576	955	899	1	8	1	46	0
MUD 172	910	1648	1643	5	0	0	0	0
MUD 173	<u>638</u>	<u>1006</u>	<u>1005</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
	3293	5771	4941	72	103	74	581	41

Master District Road Debt Service Funds Available as of October 3, 2022:

Road Reserve Fund Balance	\$2,250,774 (d)(e)
Road Debt Service Fund Balance	<u>3,798,269</u> (e)
Total Available for Road Debt Service	\$6,049,043

Master District Water/Sewer/Drainage Debt Service Funds Available as of October 3, 2022:

Water/Sewer/Drainage Reserve Fund Balance	\$4,262,395 (e)
Water/Sewer/Drainage Debt Service Fund Balance	<u>7,196,222</u> (e)
Total Available for Water/Sewer/Drainage Debt Service	\$11,458,617

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

Maximum Annual Debt Service Requirement (2024)	\$13,479,113 (f)
Average Annual Debt Service Requirement (2023-2047)	\$ 9,856,173 (f)

Master District Capital Projects Funds as of October 3, 2022:

Water/Sewer/Drainage Capital Projects Fund	\$8,031,048
Road Capital Projects Fund	\$2,396,312
Park Capital Projects Fund	\$ 129

Master District Operating Funds Available as of October 3, 2022 \$2,479,598 (g)

- (a) See "THE DISTRICT AND THE SERVICE AREA."
- (b) Estimated population in the Service Area is 18,060 based upon 3.5 persons per occupied single-family residence in the Service Area and 2.0 persons per apartment unit (390 units).
- (c) Includes 13 Model Homes.
- (d) From the proceeds of the Bonds, the District will deposit \$175,576 into the Road Reserve Fund, which is the amount needed to satisfy the Road Reserve Requirement associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (e) All of the Master District's Contract Revenue Bond debt is payable from Contract Taxes as follows: (i) the Road Contract Tax with respect to Road Contract Revenue Bonds, and (ii) the Water/Sewer/Drainage Contract Tax with respect to the Water/Sewer/Drainage Contract Revenue Bonds. The revenues from the Road Contract Tax will be allocated to Road Contract Revenue Bonds, including the Bonds and the outstanding Road Contract Revenue Bonds, and the revenues from the Water/Sewer/Drainage Contract Tax will be allocated to the Water/Sewer/Drainage Contract Revenue Bonds. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Outstanding Bonds." The Water/Sewer/Drainage Debt Service Fund is not pledged to the Bonds or any Road Contract Revenue Bonds nor will funds deposited into the Road Debt Service Fund be pledged to Water/Sewer/Drainage Contract Revenue Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE PARTICIPANTS (UNAUDITED)—Debt Service Requirements."
- (f) Each MUD Participant is obligated to pay a pro rata share of debt service on the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds by the dates specified by the Master District. See "THE BONDS—Contract Payments by the MUD Participants," "Unconditional Obligation to Pay" and "MASTER DISTRICT CONTRACT." The Master District has specified March 1 and September 1 as the dates by which the MUD Participants are required to pay contract payments that are due for Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds. The Road Indenture provides that the Road Contract Payments will be paid directly to the Trustee semiannually on or before June 1 and December 1 of each year, and the Water/Sewer/Drainage Indenture provides that the Water/Sewer/Drainage Contract Payments will be paid directly to the Trustee semiannually on or before June 1 and December 1 of each year.
- (g) Includes approximately \$13,459 from the City pursuant to a cost sharing agreement between the District and the City for rehabilitation of the Leased Wastewater Plant (as defined herein) and construction of additional improvements to the Leased Wastewater Plant and the Permanent Wastewater Plant (as defined herein).

Select Tax Data (a):

	2022 Debt Service Tax Rate	2022 Maintenance Tax Rate	2022 Contract Tax Rate	2022 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.68838	\$0.65000	\$1.33838
Fort Bend County MUD 170	\$0.30000	\$0.29000	\$0.64000	\$1.23000
Fort Bend County MUD 171	\$0.21500	\$0.14000	\$0.64500	\$1.00000
Fort Bend County MUD 172	\$0.21000	\$0.09500	\$0.64000	\$0.94500
Fort Bend County MUD 173	\$0.24750	\$0.23750	\$0.64500	\$1.13000
	2021 Debt Service Tax Rate	2021 Maintenance Tax Rate	2021 Contract Tax Rate	2021 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.64338	\$0.69500	\$1.33838
Fort Bend County MUD 170	\$0.35000	\$0.29338	\$0.69500	\$1.33838
Fort Bend County MUD 171	\$0.21500	\$0.14500	\$0.69000	\$1.05000
Fort Bend County MUD 172	\$0.22000	\$0.11500	\$0.69500	\$1.03000
Fort Bend County MUD 173	\$0.27250	\$0.26750	\$0.69500	\$1.23500
	2020 Debt Service Tax Rate	2020 Maintenance Tax Rate	2020 Contract Tax Rate	2020 Total Participant Tax Rate
Fort Bend County MUD 169	\$0.00000	\$0.66338	\$0.67500	\$1.33838
Fort Bend County MUD 170	\$0.36000	\$0.29338	\$0.68500	\$1.33838
Fort Bend County MUD 171	\$0.21500	\$0.16000	\$0.69500	\$1.07000
Fort Bend County MUD 172	\$0.26500	\$0.13000	\$0.69500	\$1.09000
Fort Bend County MUD 173	\$0.30000	\$0.25500	\$0.71500	\$1.27000

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

OFFICIAL STATEMENT

\$2,570,000

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

CONTRACT REVENUE BONDS (ROAD FACILITIES) **SERIES 2022A**

This Official Statement provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 169 (the “Master District” or the “District”) of its \$2,570,000 Contract Revenue Bonds (Road Facilities), Series 2022A (the “Bonds”).

The Bonds are issued pursuant to the Contract for Financing, Operation, and Maintenance of Regional Facilities, as amended (the “Master District Contract”) between the Master District and each of the MUD Participants (as defined below), Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Master District (the “Board”) and an Indenture of Trust by and between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee dated as of August 1, 2012 (the “Road Indenture”).

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

THE BONDS

Description

The Bonds will be dated December 1, 2022 and interest will accrue from the Date of Delivery, with interest payable each June 1 and December 1, beginning June 1, 2023 (the “Interest Payment Date”), and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

Method of Payment of Principal and Interest

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

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

Source and Security of Payment

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

Road Contract Payments by the MUD Participants

Principal of and interest on the Bonds are payable from and secured by each Participant's unconditional obligation to make certain payments pursuant to the Master District Contract. By execution of the Master District Contract, each Participant has agreed to make a Road Contract Payment in an amount equal to its pro rata share of the annual debt service on the Road Contract Revenue Bonds plus all charges and expenses of paying agents, registrars, and trustees, and all amounts required to establish and maintain funds, including the Road Reserve Fund, established under the Bond Resolution or Road Indenture based upon its gross certified appraisal valuation as a percentage of the total gross certified appraisal valuation of all Participants. Each Participant is obligated to make such payments from the proceeds of the Road Contract Tax levied by such Participant on property within its boundaries for such purpose, or from any other lawful source of funds. "See Source and Security of Payment" above. No Participant is liable for the payments due by any other Participant. See "MASTER DISTRICT CONTRACT."

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

Unconditional Obligation to Pay

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

Funds

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on December 1 in each of the years 2029, 2031, 2033, 2035, 2037, 2039, 2042 and 2046 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on December 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction as described below, at a redemption price of par plus accrued interest to the date of redemption:

\$200,000 Term Bonds Due December 1, 2029		\$200,000 Term Bonds Due December 1, 2031		\$200,000 Term Bonds Due December 1, 2033	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2028	\$ 100,000	2030	\$ 100,000	2032	\$ 100,000
2029 (maturity)	100,000	2031 (maturity)	100,000	2033 (maturity)	100,000

\$200,000 Term Bonds Due December 1, 2035		\$200,000 Term Bonds Due December 1, 2037		\$200,000 Term Bonds Due December 1, 2039	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2034	\$ 100,000	2036	\$ 100,000	2038	\$ 100,000
2035 (maturity)	100,000	2037 (maturity)	100,000	2039 (maturity)	100,000

\$300,000 Term Bonds Due December 1, 2042		\$400,000 Term Bonds Due December 1, 2046	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2040	\$ 100,000	2043	\$ 100,000
2041	100,000	2044	100,000
2042 (maturity)	100,000	2045	100,000
		2046 (maturity)	100,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after December 1, 2029, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on December 1, 2028, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry only form).

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

Authority for Issuance

Pursuant to individual elections, the voters of each MUD Participant approved the Master District Contract. The Master District Contract authorizes the Master District to issue \$121,450,000 in principal amount of Road Contract Revenue Bonds for acquiring and constructing Master District Road Facilities and refunding of such bonds. The Master District Contract also authorizes the Master District to issue other contract revenue bonds for other purposes. See "Issuance of Additional Debt" herein and "MASTER DISTRICT CONTRACT."

The Bonds are issued by the District pursuant to the terms and provisions of the Master District Contract, the terms and conditions of the Bond Resolution and the Road Indenture, Article III, Section 52 of the Texas Constitution, Chapter 49 and Chapter 54 of the Texas Water Code, as amended, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

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

After the issuance of the Bonds, the Master District will have \$337,350,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Water/Sewer/Drainage Facilities and refunding of such bonds and \$45,765,000 principal amount of Road Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Road Facilities and refunding of such bonds. The Master District Contract (except as described above), imposes no limitation on the amount of Road Contract Revenue Bonds the Master District may issue payable from the Road Contract Tax, no limitation on the amount of Water/Sewer/Drainage Contract Revenue Bonds the Master District may issue payable from the Water/Sewer/Drainage Contract Tax, and no limitation on the amount of other contract revenue bonds the Master District may issue payable from other taxes levied by the MUD Participants. See "INVESTMENT CONSIDERATIONS—Future Debt."

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

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

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

Dissolution

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

Consolidation

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

Remedies in Event of Default

Upon the occurrence of an Event of Default (as defined herein), the Trustee may proceed to protect and enforce the rights of the Registered Owners of the Bonds. The Road Indenture provides certain limitations on the right of a Registered Owner of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an Event of Default. See "THE INDENTURE OF TRUST—Remedies" and "—Limitation on Action by Owners." If the District defaults, the Trustee or, if permitted, the Registered Owners could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution and the Master District Contract. Such remedy might need to be enforced on a periodic basis and may prove time-consuming, costly, and difficult to enforce. Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the property of the Master District or property within the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitation to Registered Owners' Rights" and "THE INDENTURE OF TRUST—Remedies" and "—Limitation on Action by Owners."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

THE INDENTURE OF TRUST

The Road Contract Revenue Bonds are secured by an Indenture of Trust dated as of August 1, 2012 (the "Road Indenture") between the Master District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Trustee. Pursuant to the Road Indenture, the Master District has assigned and pledged to the Trustee all of the Master District's right, title and interest in and to the Road Contract Payments. Such Road Contract Payments, together with all amounts from time to time on deposit in the Road Debt Service Fund and Road Reserve Fund maintained by the Trustee pursuant to the Road Indenture, together with any other property from time to time hereafter conveyed or granted to the Trustee pursuant to the Road Indenture shall constitute the "Road Pledged Revenues" held by the Trustee under the Road Indenture.

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

Events of Default

The Road Indenture provides that an Event of Default shall be either of the following occurrences:

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

Remedies

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

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

Limitation on Action by Owners

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

Amendments to the Indenture of Trust

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

- (a) to cure any ambiguity, inconsistency or defect or omission in the Road Indenture, or any supplemental indenture, so long as said cure is not inconsistent with the Road Indenture and does not adversely affect the interests of the Registered Owners of any outstanding Road Contract Revenue Bonds;
- (b) to grant to or confer upon the Trustee for the benefit of the Registered Owners of the Road Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners of the Road Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Road Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Road Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Road Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain or provide for bond insurance for any Road Contract Revenue Bonds; provided, however, the Master District (at its option) may obtain or provide for bond insurance for any Road Contract Revenue Bonds through Bond Resolution(s) without the need for a supplemental indenture;
- (f) to add to any statutory terms and conditions imposed on the City (or any other entity that may become the legal successor to the Master District) in connection with the assumption of the Master District's obligations under the Road Indenture;
- (g) to create (or provide for the terms and conditions of) additional funds, and accounts or sub-accounts within any funds established by the Road Indenture or the bond resolutions authorizing Road Contract Revenue Bonds; provided, however, the Master District (at its option) may do any of same without the need for a supplemental indenture;
- (h) to modify any of the provisions of the Road Indenture or any supplemental indenture in any respect whatsoever, provided that such action shall not adversely affect the interests of the Registered Owners of any outstanding Road Contract Revenue Bonds; provided, however, prior to the joining in the execution of any modification of the Road Indenture pursuant to this subsection, the Trustee shall receive an opinion of counsel stating that such modification is authorized and permitted under the Road Indenture; and
- (i) to obtain or provide for one or more debt service reserve fund surety policies to satisfy some or all of the Road Reserve Requirement.

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

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, or deprive such Registered Owner of the lien imposed by the Road Indenture on the revenues pledged in the Road Indenture; or
- (2) change or amend the Road Indenture to permit the creation of any lien on the revenues pledged in the Road Indenture equal or prior to the lien imposed by the Road Indenture.

Contract Revenue Bonds Other Than Road Contract Revenue Bonds

The Road Indenture provides that the Master District reserves the right to issue Water/Sewer/Drainage Contract Revenue Bonds pursuant to an Indenture of Trust dated as of December 1, 2009 between the Master District and The Bank of New York Mellon Trust Company, N.A., ("Water/Sewer/Drainage Indenture") and (if then authorized by the Master District Contract) contract revenue bonds to fund Master District Park Facilities and to require the MUD Participants to make payment for same as provided for in the Master District Contract. The lien and revenues pledged by the Road Indenture do not include: (i) any payments to be made to the Master District by the MUD Participants pursuant to the Water/Sewer/Drainage Indenture, (ii) any payments, including the Water/Sewer/Drainage Contract Payments, to be made to the Master District by the MUD Participants to pay for Water/Sewer/Drainage Contract Revenue Bonds: nor (iii) any payments to be made to the Master District by the MUD Participants to pay for (if then authorized by the Master District Contract) contract revenue bonds to fund Master District Park Facilities.

Removal or Resignation of Trustee

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

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

Appointment of Successor Trustee

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

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

Merger, Conversion or Consolidation of Trustee

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by BGE, Inc., the District's engineer (the "Engineer"). Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

CONSTRUCTION COSTS

Morgans Spur Drive Extension No. 4 and 5 Reinforced Concrete Paving	\$ 556,568
Fulshear Bend Drive Extension No. 6 Reinforced Concrete Paving	1,077,798
York Way in Creek Rush Section Two Reinforced Concrete Paving	180,572
Street Lights	50,199
Engineering	355,155
Advertisement	304
Geotechnical Report	3,241
Materials Testing	57,396
Land Acquisition Costs	332,092
Less: Surplus Funds	(566,236)
Total Construction Costs	\$ 2,047,089

NON- CONSTRUCTION COSTS

Legal Fees	\$ 77,100
Financial Advisor Fees	51,400
Developer Interest (estimated at 5.50%)	29,709
Debt Service Reserve Fund (a)(b)	175,576
Bond Discount	76,858
Bond Issuance Expenses	44,556
Bond Engineering Report Cost	45,000
Attorney General Fee	2,570
Contingency (b)	20,142
Total Non-Construction Costs	\$ 522,911
TOTAL BOND ISSUANCE REQUIREMENT	\$ 2,570,000

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- (a) The deposit to the Road Reserve Fund is based on the actual amount needed to satisfy the Road Reserve Requirement associated with the issuance of the Bonds.
- (b) Contingency represents the difference between the estimated and actual Bond Discount and the difference between the estimated and actual amount to be deposited in the Road Reserve Fund to satisfy the Road Reserve Requirement. Such contingencies can be used for purposes allowed, including payment for other projects.

THE MUD PARTICIPANTS

Creation, Authority and Description

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

Authorized Bonds

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

The District, in its capacity as a MUD Participant, has not issued bonds to date. MUD 170 has issued eight series of unlimited tax bonds in the aggregate amount of \$31,435,000, including \$7,900,000 principal amount of unlimited tax bonds which sold on October 3, 2022 and are expected to be issued on November 8, 2022. MUD 171 has issued five series of unlimited tax bonds in the aggregate amount of \$15,970,000 and three series of refunding bonds in the aggregate amount of \$12,045,000. MUD 172 has issued seven series of unlimited tax bonds in the aggregate amount of \$34,745,000 and one series of refunding bonds in the aggregate amount of \$4,480,000 and expects to issue approximately \$4,555,000 principal amount of unlimited tax park bonds in the fourth quarter of 2022. MUD 173 has issued five series of unlimited tax bonds in the aggregate amount of \$26,300,000. See “APPENDIX A” for a description of the voter authorized bonds for each MUD Participant.

Utility Agreement with the City

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

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

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

Ownership, Operation, and Maintenance of the Utility Facilities: Upon completion of construction of the District Utility Facilities, the District agrees to convey such facilities to the City, reserving for itself a security interest in such facilities for the purpose of securing the performance of the City under the Utility Agreement. When all bonds issued by the District to acquire and construct the applicable District Utility Facilities have been paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the District Utility Facilities without such encumbrance. As each phase of the District Utility Facilities is completed, the City agrees to inspect the same and upon approval, will accept the District Utility Facilities for operation and maintenance. From then on, the District Utility Facilities shall be operated and maintained by the City at its sole cost and expense. Construction of the water, sewer and drainage facilities internal to the District has commenced, and the District has completed and conveyed to the City, to date, Master District Facilities and a portion of District Utility Facilities internal to the District. Initially the City operated the District Utility Facilities by contracting with a qualified third-party company, and now that the land within the MUD Participants has more than 3,000 connections, the City is authorized by the Utility Agreement to independently operate the District Utility Facilities. On May 1, 2021, the City began independently operating the District Utility Facilities. The City continues to keep Inframark, Inc. under contract as needed to operate the District Utility Facilities and the water and sewer facilities of the other MUD Participants. Detention pond and drainage ditch facilities, as well as park/recreational facilities and non-potable water facilities, constructed by the District that serve the Service Area are not conveyed to the City and the District, as the Master District is responsible for operation and maintenance thereof.

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

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

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

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

Debt Service Tax

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

Contract Tax

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

Maintenance Taxes

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

Management

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

Financial Data

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

Enlargement of Service Area/Future MUD Participants

The Master District has contracted with MUD Participants covering the Service Area. The Service Area currently includes approximately 3,293 acres. The Service Area may only be enlarged upon the approval of two-thirds (2/3) of all MUD Participants. Such an enlargement of the Service Area may occur by a MUD Participant annexing additional land into its boundaries or by the Master District contracting with participant(s) other than the MUD Participants. Any contract with a participant outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities is subject to the terms and conditions of the Master District Contract and must not impair the right of the existing MUD Participants to receive services from the Master District, which are established under the Master District Contract for the number of connections reserved to the MUD Participant, except with the consent of the MUD Participants. The Master District agrees that it will only contract with participants other than the MUD Participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract.

MASTER DISTRICT CONTRACT

The District, in its capacity as a MUD Participant, MUD 170, MUD 171, MUD 172 and MUD 173 have executed the Master District Contract with the Master District as MUD Participants and obtained the approval of the Master District Contract from voters of the MUD Participants at an election held within its boundaries.

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

The Master District Facilities will be financed pursuant to the Master District Contract. The Master District is authorized to issue contract revenue bonds in the principal amount of \$483,000,000 for acquiring and constructing regional water, sewer and drainage facilities (and for the purpose of refunding such bonds), and \$121,450,000 principal amount for acquiring and constructing arterial, collector or thoroughfare roads and improvements in aid thereof (and for the purpose of refunding such bonds). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount, or such \$121,450,000 authorized amount. After issuance of the Bonds, the Master District will be authorized under the Master District Contract to issue an additional \$45,765,000 of Road Contract Revenue Bonds and an additional \$337,350,000 of Water/Sewer/Drainage Contract Revenue Bonds. Each MUD Participant's pro rata share of the debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and the Road Contract Revenue Bonds is determined annually by dividing the MUD Participant's certified gross appraised value by the cumulative total of the certified gross appraised values of all the MUD Participants. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the “Water/Sewer/Drainage Contract Tax”), revenues, if any, derived from the operation of the MUD Participant's water distribution and wastewater collection system or from any other legally available funds of the District. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Road Contract Revenue Bonds from the proceeds of an annual ad valorem tax levied for such purpose by such MUD Participant on property within its boundaries, which is not limited as to rate or amount (the “Road Contract Tax”), revenues, if any, derived from the operation of the MUD Participant's water distribution and wastewater collection system or from any other legally available funds of the District. See “TAX DATA—Contract Tax.” Since each MUD Participant's water distribution and wastewater collection system is required to be conveyed to the City pursuant to the utility agreement between the MUD Participant and the City, it is not expected that any MUD Participant will have any revenues from such system. All of such system revenues belong to the City. See “THE MUD PARTICIPANTS—Utility Agreement with City.”

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

The Master District Contract originally authorized the Master District to pay the capital costs of designing and constructing the regional park/recreational facilities ("Master District Park Facilities") through either: (1) issuance of contract revenue bonds in a principal amount not to exceed \$237,440,000 to pay for Master District Park Facilities and refund bonds issued for Master District Park Facilities, all of which bonds would be payable from and secured by the MUD Participants' unconditional obligation to make payments to the Master District from the proceeds of ad valorem taxes levied by the MUD Participants, or (2) park construction charges ("Park Construction Charges") imposed by the Master District on each MUD Participant based on the number of connections reserved by a MUD Participant. In January 2012, each MUD Participant executed an amendment to the Master District Contract providing that the Master District will fund Master District Park Facilities through such Park Construction Charges to be paid by each MUD Participant (including the District in its capacity as a MUD Participant). Accordingly, the Master District is not authorized to issue any of said \$237,440,000 for contract revenue bonds to fund Master District Park Facilities unless the Master District Contract is amended by the MUD Participants in the future to allow it to do so. The Master District Contract provides that the Master District will compute Park Construction Charges on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Construction Charges which have been previously paid to the Master District, and dividing the result by the number of estimated total connections to be constructed within the Service Area minus the number of connections for which Park Construction Charges have been previously paid to the Master District. Each MUD Participant may issue bonds, or use other legally available funds, to pay for Park Construction Charges. In no event will a MUD Participant owe an amount for Park Construction Charges (whether paid by bond proceeds of the MUD Participant or other available funds) that exceeds any legal limit that would apply if the MUD Participant were to fund its obligation to pay for Park Construction Charges solely through the issuance of bonds. Under Section 49.4645 of the Water Code, the outstanding principal amount of bonds issued by any MUD Participant to finance park/recreational facilities may not exceed an amount equal to one percent (1%) of the value of the taxable property in that district, unless the MUD Participant meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by any MUD Participant may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in that district. Park Construction Charges are generally due from each MUD Participant to the Master District at the time a MUD Participant reserves capacity in the Master District Facilities; however, no Park Construction Charges are due until a MUD Participant's certified taxable value exceeds \$100,000,000. The Master District Contract allows the Master District to delay the due date for Park Construction Charges from a MUD Participant until such time as that MUD Participant has sufficient bond funds available to pay same. The Master District may refuse to allow a MUD Participant to receive additional connections in the Master District Facilities if the MUD Participant fails to pay the Master District the Park Construction Charges. For the purpose of funding Park Construction Charges, the Master District may require that each MUD Participant file one or more bond applications with the TCEQ no later than the date that 75% of the above-ground improvements within the MUD Participant have been constructed or are under construction. MUD 171 has issued \$1,600,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District and paid the Master District for additional Park Construction Charges in 2016 using surplus bond proceeds and operating funds. MUD 172 has issued \$4,900,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District and expects to issue approximately \$4,555,000 unlimited tax bonds for the same purpose in the fourth quarter of 2022. MUD 172 also expects to use surplus operating funds to pay the Master District for additional Park Construction Charges in the fourth quarter of 2022. MUD 170 has issued \$1,335,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District. MUD 173 has issued approximately \$3,850,000 of unlimited tax bonds for the purpose of paying Park Construction Charges to the Master District.

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

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

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

THE DISTRICT AND THE SERVICE AREA

General

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

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

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

Description and Location

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

Land Use

The Service Area currently includes 5,812 single-family residential lots developed on approximately 2,131 acres (includes 41 lots on approximately 10 acres under construction), approximately 349 acres of commercial and other development, 21 acres for a welcome center and two recreation centers, approximately 709 undevelopable acres that are currently considered not developable (Flewellen Creek, public rights-of-way, drainage ditches, detention ponds, open spaces, easements, parks, utility sites and plant sites), and approximately 83 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The following tables represent a detailed breakdown of the current acreage and development in the Service Area as of August 25, 2022.

<u>Single Family Residential</u>	Approximate Acres	Lots/ESFCs	<u>Single Family Residential</u>	Approximate Acres	Lots/ESFCs
<u>Fort Bend MUD No. 169</u>			<u>Fort Bend MUD No. 172</u>		
Creek Rush at Cross Creek Ranch, Section 1	19	80	Creekbend at Cross Creek Ranch Section 1	22	53
Creek Rush at Cross Creek Ranch, Section 2	22	88	Creekbend at Cross Creek Ranch Section 2	17	60
Creek Rush at Cross Creek Ranch, Section 3	41	88	Creekbend at Cross Creek Ranch Section 3	13	36
Creek Rush at Cross Creek Ranch, Section 4	21	62	Creekbend at Cross Creek Ranch Section 4	15	62
Creek Rush at Cross Creek Ranch, Section 5	32	60	Creekbend at Cross Creek Ranch Section 5	15	57
Creek Rush at Cross Creek Ranch, Section 6	7	54	Creekbend at Cross Creek Ranch Section 6	15	44
<u>Fort Bend MUD No. 170</u>			Creekbend at Cross Creek Ranch Section 7	33	63
Lakes of Cross Creek Ranch Section 1	27	67	Creekbend at Cross Creek Ranch Section 8	14	45
Lakes of Cross Creek Ranch Section 2	26	37	Creekbend at Cross Creek Ranch Section 9	12	38
Lakes of Cross Creek Ranch Section 3	13	34	Creekbend at Cross Creek Ranch Section 10	19	74
The Pond at Cross Creek Ranch	21	68	Creekbend at Cross Creek Ranch Section 11	28	60
Bonterra at Cross Creek Ranch Section 1	18	8	Creekbend at Cross Creek Ranch Section 12	21	66
Bonterra at Cross Creek Ranch Section 2	13	57	Creekbend at Cross Creek Ranch Section 13	19	60
Bonterra at Cross Creek Ranch Section 3	11	37	Creek Cove at Cross Creek Ranch Section 1	46	68
Bonterra at Cross Creek Ranch Section 4	21	83	Creek Cove at Cross Creek Ranch Section 2	38	54
Bonterra at Cross Creek Ranch Section 5	12	53	Creek Cove at Cross Creek Ranch Section 3	38	54
Bonterra at Cross Creek Ranch Section 6	22	41	Creek Cove at Cross Creek Ranch Section 4	28	56
Bonterra at Cross Creek Ranch Section 7	25	87	Creek Cove at Cross Creek Ranch Section 5	33	56
Bonterra at Cross Creek Ranch Section 8	11	45	Creek Cove at Cross Creek Ranch Section 6	45	61
Bonterra at Cross Creek Ranch Section 9	26	101	Creek Cove at Cross Creek Ranch Section 8	23	50
Bonterra at Cross Creek Ranch Section 11a	10	38	Creek Cove at Cross Creek Ranch Section 9	25	56
Bonterra at Cross Creek Ranch Section 11b (a)	10	41	Creek Cove at Cross Creek Ranch Section 12	22	45
Bonterra at Cross Creek Ranch Section 12	12	41	Creek Cove at Cross Creek Ranch Section 13	19	72
Creek Trace at Cross Creek Ranch Section 1	20	73	Creek Cove at Cross Creek Ranch Section 14	77	77
Creek Trace at Cross Creek Ranch Section 2	15	59	Creek Cove at Cross Creek Ranch Section 15	21	51
Creek Trace at Cross Creek Ranch Section 3	36	122	Creek Cove at Cross Creek Ranch Section 16	39	109
Creek Trace at Cross Creek Ranch Section 4	24	75	Legacy at Cross Creek Ranch Section 3	54	60
Creek Trace at Cross Creek Ranch Section 5	28	72	Legacy at Cross Creek Ranch Section 4	29	61
Creek Trace at Cross Creek Ranch Section 6	26	105	<u>Fort Bend MUD No. 173</u>		
The Brooks at Cross Creek Ranch Section 1	30	106	Creek Falls at Cross Creek Ranch Section 1	23	76
The Brooks at Cross Creek Ranch Section 2	10	39	Creek Falls at Cross Creek Ranch Section 2	14	49
The Brooks at Cross Creek Ranch Section 3	48	146	Creek Falls at Cross Creek Ranch Section 3	12	47
Willows at Cross Creek Ranch Section 1	9	74	Creek Falls at Cross Creek Ranch Section 4	24	74
Willows at Cross Creek Ranch Section 2	13	62	Creek Falls at Cross Creek Ranch Section 5	14	46
<u>Fort Bend MUD No. 171</u>			Creek Falls at Cross Creek Ranch Section 6	15	60
Creekside at Cross Creek Ranch Section 1	25	75	Creek Falls at Cross Creek Ranch Section 7	10	48
Creekside at Cross Creek Ranch Section 2	26	88	Creek Falls at Cross Creek Ranch Section 8	26	104
Creekside at Cross Creek Ranch Section 3	13	25	Creek Falls at Cross Creek Ranch Section 9	22	83
Creekside at Cross Creek Ranch Section 4	22	76	Creek Falls at Cross Creek Ranch Section 10	21	74
Creekside at Cross Creek Ranch Section 5	19	45	Creek Falls at Cross Creek Ranch Section 11	15	69
Creekside at Cross Creek Ranch Section 6	24	48	Creek Falls at Cross Creek Ranch Section 12	13	54
Creekside at Cross Creek Ranch Section 7	20	62	Creek Cove at Cross Creek Ranch Section 7	27	69
Creekside at Cross Creek Ranch Section 8	36	97	Creek Cove at Cross Creek Ranch Section 10	48	88
Creekside at Cross Creek Ranch Section 9	17	53	Creek Cove at Cross Creek Ranch Section 11	24	65
Creekside at Cross Creek Ranch Section 10	16	36	<u>Total Single Family</u>	2131	5812
Creekside at Cross Creek Ranch Section 11	22	66			
Lakeside at Cross Creek Ranch	27	35			
Lakeside Village at Cross Creek Ranch	10	56			
Legacy at Cross Creek Ranch Section 1	37	85			
Legacy at Cross Creek Ranch Section 2	34	98			
The Cove at Cross Creek Ranch	16	10			

(a) Water, sewer and drainage facilities are under construction.

<u>Commercial and Other Development</u>	Approximate Acres	Lots/ESFCs	<u>Commercial and Other Development</u>	Approximate Acres	Lots/ESFCs
<u>Fort Bend MUD No. 173</u>			<u>Fort Bend MUD No. 171</u>		
Convenience Store and Fast Food Restaurant	6	22	Saint Faustina Catholic Church (e)	33	29
Shops at Cross Creek Ranch	4	35	Ivy Kids Day Care	2	7
Shops at Cross Creek Ranch Phase 2	5	32	Senior Independent Living Facility (b)	8	81
Market at CCR Parcel A	5	69	<u>Fort Bend MUD No. 170</u>		
Christian Brothers Automotive	1	3	Brazos Valley Schools Credit Union	2	2
KISD Middle and High Schools (e)	111	103	Marcel Town Center (c)	11	56
HEB Grocery Store	14	82	Cross Creek Ranch II Apartments (b)	15	112
Fast Food Restaurant and Bank	6	27	Emergency Services District No. 4 Fire Station (e)	3	12
Market at Cross Creek Ranch Phase III	11	29	<u>Fort Bend MUD No. 169</u>		
Apartments	22	156	Broadstone Fulshear Apartments (b)	<u>15</u>	<u>190</u>
KISD Elementary School (e)	14	29	Total ESFCs Commercial and Other	<u>349</u>	<u>1400</u>
Icon Bank	2	8	Subtotal	2480	7212
Advanced Autoparts	1	3	Welcome Center	7	----
FM 1463 Retail at CCR	5	34	Recreation Facilities	14	----
Grow Your Storage	3	15	Potential Future Development	83	----
Day Care (Deboben)	2	8	Non-developable (d)	<u>709</u>	----
Fort Bend County Public Safety Annex (e)	3	12	Total	<u>3293</u>	<u>7212</u>
Dermatology Clinic (b)	2	3			
Cross Creek Plaza Phase I	3	22			
Cross Creek Plaza Phase II (b)	2	14			
Restaurant (b)	1	9			
<u>Fort Bend MUD No. 172</u>					
KISD Elementary School No. 37 (e)	14	29			
CVS Pharmacy	2	3			
Day Care (Children's Lighthouse)	2	9			
Shopping Center (Patton Tract 1)	2	24			
Veterinary Clinic (Southpaw)	1	14			
Shopping Center (Patton Tract 2)	2	20			
Cross Creek Office Complex	3	34			
Grocery, Shopping Center and Car Wash	10	58			
Coffee Shop	1	5			

(b) Building is currently under construction.

(c) The Marcel Town Center has been constructed on approximately 11 acres in the District and includes 7 buildings totaling approximately 70,000 square feet of retail space. On June 18, 2021 the City purchased a portion of the land and improvements on such approximately 11 acres from Marcel Town Center Cross Creek LLC. The City purchased approximately 40.5% of the retail space, which will be used as a city hall, police station, and for other municipal purposes. The portion of property purchased by the City is exempt from the payment of ad valorem taxes, which will be reflected beginning with the 2022 tax roll.

(d) Includes public rights-of-way, detention, open spaces, easements, parks and utility sites.

(e) Exempt from the payment of ad valorem taxes. See "Status of Development—*Tax Exempt Property*" herein.

Status of Development

Single-Family Residential: Development in the Service Area currently consists of the residential development within the District, MUD 170, MUD 171, MUD 172, and MUD 173. Homes within the Service Area range in price from approximately \$310,000 to over \$1,300,000. As of August 25, 2022, there were 4,941 occupied completed homes in the Service Area, 72 unoccupied completed homes (13 of which are model homes), 177 homes under construction (103 homes are not under contract for purchase and 74 homes are under contract for purchase), 581 developed lots available for home construction and 41 lots on approximately 10 acres currently under construction.

Commercial: A credit union has been constructed on approximately 2 acres in MUD 170. The Marcel Town Center has been constructed on approximately 11 acres in MUD 170, and the City has purchased approximately 40.5% of the retail space (see “*Tax Exempt Property*” below). An Ivy Kids Day Care has been constructed on approximately 2 acres in MUD 171. A CVS Pharmacy, the Children’s Lighthouse Daycare facility, three shopping centers, the Cross Creek Office Complex, an Aldi’s Grocery, a coffee shop and a veterinary clinic have been constructed in MUD 172 on approximately 23 acres of land. The Market at Cross Creek Ranch, multiple fast food restaurants, a convenience store, two automotive stores, two banks, the Shops at Cross Creek Ranch, a day care, a self storage facility and Cross Creek Plaza Phase I have been constructed in MUD 173 on approximately 54 acres of land. A HEB Grocery Store has been constructed on a 14 acre tract of land in MUD 173. A dermatology clinic, a restaurant and Cross Creek Plaza Phase II are currently under construction on approximately 5 acres in MUD 173.

Multifamily: The Parklane Fulshear Apartments (390 units) have been constructed on approximately 22 acres in MUD 173. The Broadstone Fulshear Apartments are currently under construction on approximately 15 acres in the District. The Cross Creek Ranch II Apartments are under construction on approximately 15 acres in MUD 170. Additionally, a senior independent living facility is under construction on approximately 8 acres in MUD 171.

Tax-Exempt Property: The following properties in the District mentioned herein are exempt from the payment of ad valorem taxes. The Saint Faustina Catholic Church has been constructed on approximately 33 acres of land in MUD 171. An elementary school has been constructed on a 14 acre tract in MUD 173. A middle school and a high school have been constructed in MUD 173 on approximately 111 acres owned by Katy Independent School District. An elementary school has been constructed on approximately 14 acres of land in MUD 172. A Fort Bend County Public Safety Annex has been constructed on approximately 3 acres in MUD 173. A fire station for Fort Bend County Emergency Services District No. 4 has been constructed on approximately 3 acres in MUD 170. In addition, Lamar Consolidated Independent School District owns approximately 15 acres of land in the District, on which no improvements have been constructed.

The Marcel Town Center has been constructed on approximately 11 acres in the District and includes 7 buildings totaling approximately 70,000 square feet of retail space. On June 18, 2021, the City purchased a portion of the land and improvements on such approximately 11 acres from Marcel Town Center Cross Creek LLC. The City purchased approximately 40.5% of the retail space, which will be used as a city hall, police station, and for other municipal purposes. The taxable assessed value of the Marcel Town Center remains uncertified and subject to review and downward revision prior to certification. The portion of the property purchased by the City is exempt from the payment of ad valorem taxes, which will be reflected on the 2022 tax roll once the value is certified. The remaining land and improvements will be fully taxable.

District/Recreation Facilities: A Welcome Center, which includes the Cross Creek Fitness Center, the Adventure Island Water Park, Italian Maid Cafe and a 70-foot observation tower, has been constructed on approximately 7 acres of land in MUD 171. The Bonterra Recreation Center has also been constructed on approximately 4 acres in MUD 170 and the Flewellen Park recreation facilities have been constructed on approximately 10 acres in MUD 172.

In addition, there are approximately 83 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities and approximately 709 acres that are currently considered not developable. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots,” and “APPENDIX A.”

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Arden J. Morley	President	May 2024
John Preston	Vice President	May 2024
Gary Swafford	Secretary	May 2026
Barbara Jo D'Andrea	Assistant Vice President	May 2026
Kenneth Martinec	Assistant Secretary	May 2026

District Consultants

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

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

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

Auditor: The Master District's financial statements for the fiscal year ended September 30, 2021, were audited by McGrath & Co., PLLC. See "APPENDIX B" for a copy of the District's September 30, 2021 financial statements. The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended September 30, 2022.

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

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

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

Bookkeeper: The Master District has contracted with Myrtle Cruz, Inc. (the "Bookkeeper") for bookkeeping services.

Utility System Operator: The City independently operates the District Utility Facilities. The City continues to keep Inframark, Inc. under contract as needed to assist with the operation of the District Utility Facilities and the water and sewer facilities of the other MUD Participants.

THE DEVELOPERS

Role of a Developer

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

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

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

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

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

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

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

Landmark Industries, Inc.

Landmark Industries Inc. ("Landmark") originally owned a 71 acre site within the boundaries of MUD 173 which is being developed for commercial purposes. Landmark has developed or sold 30 acres of the approximate 71 acre site within MUD 173. As of January 1, 2022, Landmark owned approximately 41 acres of land in MUD 173.

RK CCR North

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

The Market at CCR, Ltd.

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

Taylor Morrison of Texas Inc.

Taylor Morrison of Texas Inc. (“Taylor Morrison”) owns approximately 30 acres in the District which is planned to be developed as the remaining sections of the single family subdivision of Bonterra, including 10 acres currently under construction for Bonterra at Cross Creek Ranch Section 11b.

Homebuilding

Homebuilders in the Service Area include Partners in Building, Highland Homes, Darling Homes, Perry Homes, Newmark Homes Houston, Taylor Morrison Homes, Chesmar Homes, Lennar Homes and TriPointe Homes. Homes in the Service Area range in sales price from approximately \$310,000 to \$1,300,000. Homebuilding is currently occurring in the District, MUD 169, MUD 170 and MUD 171.

THE SYSTEM

Master District Facilities

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

Water Supply: The potable water supply facilities constructed by or on behalf of the Master District and being operated by the City (“Water Supply Facilities”) currently consist of three water plants. Water Plant No. 1 consists of a 1,500 gallons per minute (“gpm”) water well and one 1,000 gpm water well; 840,000 gallons of ground storage capacity; 9,300 gpm of booster pump capacity; pressure tank capacity of 60,000 gallons and all related appurtenances. Water Plant No. 2 consists of a 1,650 gpm water well, 860,000 gallons of ground storage capacity, pressure tank capacity of 60,000 gallons, 4,900 gpm booster tank capacity and all related appurtenances. Water Plant No. 3 consists of a 1,650 gpm water well, 430,000 gallons of ground storage capacity, pressure tank capacity of 30,000 gallons, 4,900 gpm of booster tank capacity and all related appurtenances. The major components of the Master District’s Water Supply Facilities have the capacity to serve approximately 8,928 equivalent single-family connections (“ESFCs”). According to the District’s Engineer, the Master District has a current reserved capacity for 6,813 ESFCs for the MUD Participants and 6,242 active ESFCs are being served by the Water Supply Facilities as of October 1, 2022.

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

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

Wastewater Treatment: The wastewater treatment facilities installed by or on behalf of the Master District and being operated by the City (“Wastewater Treatment Facilities”) consist of one leased plant (the “Leased Wastewater Plant”) pursuant to lease agreements, as amended, between the Master District and AUC Group, L.P. (“AUC”) (the “Lease Agreements”) with a total capacity of 500,000 gallons per day (“gpd”) and a permanent plant with a capacity of 1,000,000 gpd (the “Permanent Wastewater Plant”). The City has assumed certain rights and obligations under the Lease Agreements for the Leased Wastewater Plant. The Master District remains obligated to pay the lease payment for the Leased Wastewater Plant, which is currently \$13,000 per month. Such lease cost is included in the Master District’s operation and maintenance expenses and therefore shared by all MUD Participants that have reserved ESFCs. The Master District may terminate the Lease Agreements at any time after May 1, 2022 by giving at least sixty (60) days notice to AUC. Current wastewater treatment capacity of the Wastewater Treatment Facilities will serve 8,333 ESFCs. According to the District’s Engineer, the Master District has reserved capacity for 6,813 ESFCs and 6,242 active ESFCs are being served by the Wastewater Treatment Facilities as of October 1, 2022.

In order to fully provide wastewater treatment for the Service Area, the Wastewater Treatment Facilities will need to be expanded from time to time to meet the demand for such facilities. By reserving capacity, the Master District assumes the responsibility to expand facilities as needed to provide service for reserved connections as they become active. Proceeds from Series 2022 Water/Sewer/Drainage Contract Revenue Bonds are being used to fund an expansion of the Wastewater Treatment Plant to provide capacity of 2,000,000 gpd.

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

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

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

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

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed or are currently being constructed by the District to serve 432 single-family residential lots and 190 ESFCs of commercial development, MUD 170 to serve 1,771 single-family residential lots and 182 ESFCs of commercial development, by MUD 171 to serve 955 single-family residential lots and 117 ESFCs of commercial development, by MUD 172 to serve 1,648 single-family lots and 196 ESFCs of commercial development, and by MUD 173 to serve 1,006 single-family residential lots and 715 ESFCs of commercial development. See "THE DISTRICT AND THE SERVICE AREA—Land Use" and "—Status of Development."

Storm Water Drainage Facilities and Flood Plain

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

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

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Subsidence and Conversion to Surface Water Supply

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

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

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

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

Regulation

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

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

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

Contract Revenue Bonds of the Master District

Direct Debt Water/Sewer/Drainage Contract Revenue Bonds	\$125,595,000
Direct Debt Road Contract Revenue Bonds (includes the Bonds)	67,325,000
Estimated Overlapping Debt	<u>220,707,218</u> (a)
Total Direct and Overlapping Debt	\$413,627,218

Gross Assessed Valuation of the MUD Participants

2022 Gross Assessed Valuation	\$2,623,835,356 (b)
Estimated Gross Assessed Valuation as of September 1, 2022	\$2,735,333,682 (c)
Direct Debt as a % of	
the 2022 Gross Assessed Valuation	7.35%
the Estimated Gross Assessed Valuation as of September 1, 2022	7.05%
Direct Debt and Preliminary Overlapping Debt as a % of	
the 2022 Gross Assessed Valuation	15.76%
the Estimated Gross Assessed Valuation as of September 1, 2022	15.12%

Master District Debt Service Funds Available as of October 3, 2022:

Road Reserve Fund Balance	\$2,250,774 (d)(e)
Road Debt Service Fund Balance	<u>3,798,269</u> (e)
Total Available for Road Debt Service	\$6,049,043
Water/Sewer/Drainage Reserve Fund Balance	\$4,262,395 (e)
Water/Sewer/Drainage Debt Service Fund Balance	<u>7,196,222</u> (e)
Total Available for Water/Sewer/Drainage Debt Service	\$11,458,617

Master District Capital Projects Funds as of October 3, 2022:

Water/Sewer/Drainage Capital Projects Fund	\$8,031,048
Road Capital Projects Fund	\$2,396,312
Park Capital Projects Fund	\$ 129

Master District Operating Funds Available as of October 3, 2022 \$2,479,598 (f)

- (a) See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Estimated Overlapping Debt."
- (b) Includes 85% of the uncertified value provided by the Appraisal District for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.
- (c) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes for MUD 169, 170 and 172, which was calculated by updating the 2022 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. An estimate of valuation as of May 1, 2022 is shown for MUD 171 and 173. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.
- (d) From the proceeds of the Bonds, the District will deposit \$175,576 into the Road Reserve Fund, which is the amount needed to satisfy the Road Reserve Requirement associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (e) All of the Master District's contract revenue bond debt is payable from contract taxes as follows: (i) the Road Contract Tax with respect to Road Contract Revenue Bonds, and (ii) the Water/Sewer/Drainage Contract Tax with respect to the Water/Sewer/Drainage Contract Revenue Bonds. The revenues from the Road Contract Tax will be allocated to Road Contract Revenue Bonds, including the outstanding Road Contract Revenue Bonds and the Bonds, and the revenues from the Water/Sewer/Drainage Contract Tax will be allocated to the Water/Sewer/Drainage Contract Revenue Bonds, including the outstanding Water/Sewer/Drainage Contract Revenue Bonds. See "—Outstanding Bonds." The Water/Sewer/Drainage Debt Service Fund is not pledged to the Bonds or any Road Contract Revenue Bonds nor will funds deposited into the Road Debt Service Fund be pledged to Water/Sewer/Drainage Contract Revenue Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (f) Includes approximately \$13,459 from the City pursuant to a cost sharing agreement between the District and the City for rehabilitation of the Leased Wastewater Plant (as defined herein) and construction of additional improvements to the Leased Wastewater Plant and the Permanent Wastewater Plant (as defined herein).

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

<u>MUD Participant</u>	<u>2022 Gross Assessed Valuation (a)</u>	<u>% of 2022 Gross Assessed Valuation as of 1/1/2022</u>
MUD 169	\$ 18,030,677	0.69%
MUD 170	561,097,672	21.38%
MUD 171	456,996,776	17.42%
MUD 172	981,246,831	37.40%
MUD 173	606,463,401	23.11%
Total of MUD Participants	\$ 2,623,835,356	100.00%

(a) Includes 85% of the uncertified value provided by Appraisal District for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

Outstanding Bonds

The District has issued 25 series of contract revenue bonds in the aggregate principal amount of \$256,580,000. Thirteen of such series were issued to fund Master District Water/Sewer/Drainage Facilities in the aggregate principal amount of \$144,610,000, of which \$98,070,000 remains outstanding and seven of such series were issued to fund Master District Road Facilities in the aggregate principal amount of \$72,790,000, of which \$55,345,000 remains outstanding. The District has also issued four series of Water/Sewer/Drainage Contract Revenue Refunding Bonds in the aggregate principal amount of \$29,270,000, of which \$27,525,000 remains outstanding and one series of Road Contract Revenue Refunding Bonds in the aggregate principal amount of \$9,910,000, of which \$9,410,000 remains outstanding. The following table lists the original principal amount of the Outstanding Bonds and the principal amount outstanding as of October 1, 2022.

<u>Series</u>	<u>Title</u>	<u>Original Principal Amount</u>	<u>Principal Outstanding as of 10/1/22</u>
2009	Water/Sewer/Drainage Contract Revenue Bonds	\$ 3,590,000	\$ -
2010	Water/Sewer/Drainage Contract Revenue Bonds	6,570,000	-
2011	Water/Sewer/Drainage Contract Revenue Bonds	7,785,000	-
2011A	Water/Sewer/Drainage Contract Revenue Bonds	4,030,000	-
2012	Road Contract Revenue Bonds	10,720,000	-
2013	Water/Sewer/Drainage Contract Revenue Bonds	11,310,000	-
2014	Road Contract Revenue Bonds	8,460,000	7,420,000
2015	Water/Sewer/Drainage Contract Revenue Bonds	15,000,000	11,350,000
2015A	Road Contract Revenue Bonds	8,850,000	5,850,000
2016	Water/Sewer/Drainage Contract Revenue Bonds	11,000,000	8,500,000
2017	Water/Sewer/Drainage Contract Revenue Bonds	15,320,000	11,920,000
2017A	Water/Sewer/Drainage Contract Revenue Refunding Bonds	2,455,000	2,220,000
2017B	Road Contract Revenue Bonds	8,440,000	7,080,000
2018	Road Contract Revenue Bonds	5,570,000	4,910,000
2018A	Water/Sewer/Drainage Contract Revenue Bonds	23,000,000	20,350,000
2019	Water/Sewer/Drainage Contract Revenue Refunding Bonds	13,245,000	11,965,000
2019A	Water/Sewer/Drainage Contract Revenue Bonds	17,580,000	16,825,000
2020	Road Contract Revenue Bonds	16,750,000	16,085,000
2020A	Water/Sewer/Drainage Contract Revenue Refunding Bonds	3,630,000	3,425,000
2020B	Road Contract Revenue Refunding Bonds	9,910,000	9,410,000
2020C	Water/Sewer/Drainage Contract Revenue Bonds	13,500,000	13,200,000
2021	Water/Sewer/Drainage Contract Revenue Bonds	9,425,000	9,425,000
2021A	Water/Sewer/Drainage Contract Revenue Refunding Bonds	9,940,000	9,915,000
2021B	Road Contract Revenue Bonds	14,000,000	14,000,000
2022	Water/Sewer/Drainage Contract Revenue Bonds	6,500,000	6,500,000
Total		\$ 256,580,000	\$ 190,350,000

Operating Fund Statement

The following statement sets forth in condensed form the General Operating Fund for the Master District, as shown in the District's audited financial statements as the Special Revenue Fund for the fiscal years ended September 30, 2018 through September 30, 2021 and an unaudited summary for the fiscal year ended September 30, 2022, prepared by the Bookkeeper. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX B" for further and complete information.

	Fiscal Year Ended September 30				
	2022 (a)	2021	2020	2019	2018
Revenues					
Investment Income	\$ 5,664	\$ 1,347	\$ 11,755	\$ 15,804	\$ 1,625
Miscellaneous Revenue	110,645	119,421	-	-	-
Master District Fees	2,337,000	2,176,440	2,021,070	1,820,370	1,602,600
Total Revenues	\$ 2,453,309	\$ 2,297,208	\$ 2,032,825	\$ 1,836,174	\$ 1,604,225
Expenditures					
Professional Fees	\$ 243,044	\$ 314,944	\$ 320,102	\$ 191,795	\$ 177,412
Contracted Services	33,030	20,028	23,998	21,512	21,206
Regional Water Authority Fees	589,299 (b)	145,135	367,334	289,266	193,929
Repairs and Maintenance	1,220,315	731,647	681,301	419,762	430,360
Utilities	46,245	57,383	84,096	24,538	34,923
Administrative	23,795	31,454	38,648	18,541	25,552
Other	8,498	-	37,503	-	-
WWTP Lease Expense	156,000	156,000	156,000	156,000	169,200
Capital Outlay	-	168,501	134,351	-	-
Total Expenditures	\$ 2,320,226	\$ 1,625,092	\$ 1,843,333	\$ 1,121,414	\$ 1,052,582
Revenues Over (Under) Expenditures	\$ 133,083	\$ 672,116	\$ 189,492	\$ 714,760	\$ 551,643
Internal Transfers In/(Out)	\$ -	\$ 13,388 (c)	\$ -	\$ -	\$ -
Fund Balance (Beginning of Year)	\$ 2,645,632	\$ 1,960,128	\$ 1,770,636	\$ 1,055,876	\$ 504,233
Fund Balance (End of Year)	\$ 2,778,715	\$ 2,645,632	\$ 1,960,128	\$ 1,770,636	\$ 1,055,876

(a) Unaudited. Provided by the Bookkeeper.

(b) Reflects the payment of \$545,556.75 of fees by community associations in the District. Due to an administrative oversight of the District, the fees were billed on October 17, 2022, but were for services incurred during fiscal year 2022.

(c) Transfer from the District's Capital Projects Fund to the Special Revenue Fund for reimbursement of engineering fees paid from the Special Revenue Fund in the prior year.

Debt Service Requirements

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

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2022	\$ 9,982,016.25 (a)				\$ 9,982,016.25
2023	13,195,612.50		\$ 127,766.39	\$ 127,766.39	13,323,378.89
2024	13,078,812.50	\$ 270,000	130,300.00	400,300.00	13,479,112.50
2025	12,962,562.50	200,000	112,750.00	312,750.00	13,275,312.50
2026	12,868,825.00	100,000	99,750.00	199,750.00	13,068,575.00
2027	12,786,781.25	100,000	93,250.00	193,250.00	12,980,031.25
2028	12,703,150.00	100,000	86,750.00	186,750.00	12,889,900.00
2029	12,704,050.00	100,000	82,750.00	182,750.00	12,886,800.00
2030	12,641,881.25	100,000	78,750.00	178,750.00	12,820,631.25
2031	12,565,762.50	100,000	74,750.00	174,750.00	12,740,512.50
2032	12,486,925.00	100,000	70,750.00	170,750.00	12,657,675.00
2033	12,410,812.50	100,000	66,500.00	166,500.00	12,577,312.50
2034	12,299,525.00	100,000	62,250.00	162,250.00	12,461,775.00
2035	11,982,293.75	100,000	57,750.00	157,750.00	12,140,043.75
2036	11,299,737.50	100,000	53,250.00	153,250.00	11,452,987.50
2037	10,775,743.75	100,000	48,500.00	148,500.00	10,924,243.75
2038	10,370,950.00	100,000	43,750.00	143,750.00	10,514,700.00
2039	9,029,625.00	100,000	39,000.00	139,000.00	9,168,625.00
2040	8,216,668.75	100,000	34,250.00	134,250.00	8,350,918.75
2041	7,399,900.00	100,000	29,500.00	129,500.00	7,529,400.00
2042	6,650,500.00	100,000	24,750.00	124,750.00	6,775,250.00
2043	5,510,793.75	100,000	20,000.00	120,000.00	5,630,793.75
2044	4,264,525.00	100,000	15,000.00	115,000.00	4,379,525.00
2045	2,985,050.00	100,000	10,000.00	110,000.00	3,095,050.00
2046	890,775.00	100,000	5,000.00	105,000.00	995,775.00
2047	286,000.00	-	-	-	286,000.00
Total	\$ 252,349,278.75	\$ 2,570,000	\$ 1,467,066.39	\$ 4,037,066.39	\$ 256,386,345.14

(a) Excludes the Master District's June 1, 2022 debt service payment in the amount of \$2,649,026.

Average Annual Debt Service Requirements (2023-2047).....\$9,856,173
Maximum Annual Debt Service Requirement (2024)\$13,479,113

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 666,140,542	9/30/2022	2.60%	\$ 17,319,654
Fort Bend County Drainage District.....	24,530,000	9/30/2022	2.61%	640,233
City of Fulshear.....	-	9/30/2022	-	-
Katy Independent School District.....	2,140,211,367	9/30/2022	3.67%	78,545,757
Lamar Consolidated Independent School District...	1,705,940,000	9/30/2022	1.71%	29,171,574
Fort Bend County MUD 170	29,600,000 (a)	9/30/2022	100.00%	29,600,000
Fort Bend County MUD 171.....	11,940,000	9/30/2022	100.00%	11,940,000
Fort Bend County MUD 172	29,345,000	9/30/2022	100.00%	29,345,000
Fort Bend County MUD 173	24,145,000	9/30/2022	100.00%	24,145,000
Total Estimated Overlapping Debt.....				\$ 220,707,218
The District.....	192,920,000 (b)	current		192,920,000
Total Direct and Estimated Overlapping Debt.....				\$ 413,627,218

Direct and Estimated Overlapping Debt as a Percentage of:

2022 Gross Assessed Valuation of \$2,623,835,356 (c)	15.76%
Estimated Gross Assessed Valuation as of September 1, 2022 of \$2,735,333,682 (d)	15.12%

- (a) Includes MUD 170's \$7,900,000 Unlimited Tax Bonds, Series 2022, which sold on October 3, 2022 and are expected to be issued on November 8, 2022.
- (b) Includes the Bonds.
- (c) Includes 85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.
- (d) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes for MUD 169, 170 and 172, which was calculated by updating the 2022 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. An estimate of valuation as of May 1, 2022 is shown for MUD 171 and 173. These estimates have no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, these estimates will not be the basis for any tax levy by any of the MUD Participants.

Overlapping Taxes

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

Set forth below is a summary of taxes levied for the 2022 tax year by all entities which tax property within the MUD Participants' boundaries. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.451200	\$ 0.451200
Fort Bend County ESD No. 4.....	\$ 0.096958	\$ 0.096958
Katy ISD (b).....	\$ 1.351700	
Lamar Consolidated ISD (b).....		\$ 1.242000
City of Fulshear.....	\$ 0.180572	\$ 0.180572
MUD Participants (c)	<u>\$ 1.338380</u>	<u>\$ 1.338380</u>
Total Tax Rate.....	\$ 3.418810	\$ 3.309110

(a) Includes Fort Bend County Drainage District.

(b) A portion of the Service Area is located in Katy ISD and a portion of the Service Area is located in Lamar CISD.

(c) Represents the highest total 2022 tax rate for any of the MUD Participants.

TAX DATA

Contract Tax

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

Tax Roll Information

The MUD Participants' assessed value as of January 1 of each year will be used by the Master District in establishing the Water/Sewer/Drainage Contract Payments and Road Contract Payments and recommending the Water/Sewer/Drainage Contract Tax rate and Road Contract Tax rate to the MUD Participants. The following represents the 2018 through 2022 Gross Assessed Valuations of the MUD Participants. Historical tax roll information concerning each MUD Participant is included in APPENDIX A herein.

	MUD Participants'	MUD Participants'	MUD Participants'	MUD Participants'	MUD Participants'
	2018 Certified	2019 Certified	2020 Certified	2021 Certified	2022
	Gross Assessed	Gross Assessed	Gross Assessed	Gross Assessed	Gross Assessed
MUD Participant	Valuation	Valuation	Valuation	Valuation	Valuation
Fort Bend County MUD 169	\$ 7,386,360	\$ 7,384,220	\$ 7,392,264	\$ 7,377,200	\$ 18,030,677
Fort Bend County MUD 170	170,271,115	212,892,024	272,554,564	352,539,081	561,097,672
Fort Bend County MUD 171	363,139,134	372,827,184	395,278,534	403,721,962	456,996,776
Fort Bend County MUD 172	565,875,827	614,411,011	704,851,868	819,642,855	981,246,831
Fort Bend County MUD 173	254,201,312	383,668,032	509,962,113	542,494,965	606,463,401
	\$ 1,360,873,748	\$ 1,591,182,471	\$ 1,890,039,343	\$ 2,125,776,063	\$ 2,623,835,356

(a) Includes 85% of the uncertified value provided by the Fort Bend Central Appraisal District ("Appraisal District") for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

Historical Contract Payment Collections

The District, in its capacity as a MUD Participant, levied a 2022 Contract Tax Rate in the amount of \$0.65 per \$100 of gross assessed valuation. MUD 170 and MUD 172 levied a 2022 Contract Tax Rate in the amount of \$0.64 per \$100 of gross assessed valuation. MUD 171 and MUD 173 each levied a 2022 Contract Tax Rate in the amount of \$0.645 per \$100 of gross assessed valuation. 2022 Contract Tax Payments for the 2023 calendar year are due to the Master District in equal payments on March 1 and September 1, 2023.

2017 Water/Sewer/Drainage Contract Payment Collection Rate	100.00%
2018 Water/Sewer/Drainage Contract Payment Collection Rate	100.00%
2019 Water/Sewer/Drainage Contract Payment Collection Rate	100.00%
2020 Water/Sewer/Drainage Contract Payment Collection Rate	100.00%
2021 Water/Sewer/Drainage Contract Payment Collection Rate	100.00%
2017 Road Contract Payment Collection Rate	100.00%
2018 Road Contract Payment Collection Rate	100.00%
2019 Road Contract Payment Collection Rate	100.00%
2020 Road Contract Payment Collection Rate	100.00%
2021 Road Contract Payment Collection Rate	100.00%

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

Contract Payment Allocation Data

	2022 Gross Assessed Valuation (a)	% of 2022 Gross Assessed Valuation as of 1/1/2022
MUD Participant		
MUD 169	\$ 18,030,677	0.69%
MUD 170	561,097,672	21.38%
MUD 171	456,996,776	17.42%
MUD 172	981,246,831	37.40%
MUD 173	606,463,401	23.11%
Total of MUD Participants	\$ 2,623,835,356	100.00%

(a) Includes 85% of the uncertified value provided by Appraisal District for the District and MUD 171, 172 and 173 and 65% of the uncertified value for MUD 170.

Tax Adequacy for Debt Service

The Contract Tax (comprised of Water/Sewer/Drainage Contract Tax and Road Contract Tax) rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the MUD Participants' tax base occurred beyond the 2022 Gross Assessed Valuation or the Estimated Gross Assessed Valuation as of September 1, 2022. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Outstanding Bonds and the Bonds when due, assuming no further increase or any decrease in taxable values of the MUD Participants, collection of ninety- five percent (95%) of taxes levied, the sale of no additional contract revenue bonds by the Master District, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Debt Service Requirements."

Average Annual Debt Service Requirement (2023-2047)	\$9,856,173
\$0.40 Tax Rate on 2022 Gross Assessed Valuation.....	\$9,970,574
\$0.38 Tax Rate on Estimated Gross Assessed Valuation as of September 1, 2022	\$9,874,555
Maximum Annual Debt Service Requirement (2024)	\$13,479,113
\$0.55 Tax Rate on 2022 Gross Assessed Valuation.....	\$13,709,540
\$0.52 Tax Rate on Estimated Gross Assessed Valuation as of September 1, 2022	\$13,512,548

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the MUD Participants

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

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

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

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

MUD Participant and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Additional Penalties

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

Tax Payment Installments After Disaster

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The MUD Participants: For the 2022 tax year, each of the MUD Participants have been determined to be a Developing District. For future years, a determination as to each MUD Participant's status as a Special Taxing Unit, Developed District or Developing District will be made by each MUD Participant on an annual basis. The District cannot give any assurances as to what the MUD Participants' classifications will be at any point in time or whether the MUD Participants future tax rates will result in a total tax rate that will reclassify the MUD Participant into a new classification and new rollback election calculation.

MUD Participant's Rights in the Event of Tax Delinquencies

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

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

INVESTMENT CONSIDERATIONS

General

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

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

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.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. 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.

The Service Area 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 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. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

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

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

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

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

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

Competition

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

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

Maximum Impact on Contract Tax Rate

Assuming no further development, the value of the land and improvements currently within the MUD Participants' boundaries will be the major determinant of the ability or willingness of owners of property within the MUD Participants' boundaries to pay their taxes. The 2022 Gross Assessed Valuation of the Participants is \$2,623,835,356 and the Estimated Gross Assessed Valuation as of September 1, 2022 is \$2,735,333,682. After issuance of the Bonds, the maximum debt service requirement on the Outstanding Bonds and the Bonds will be \$13,479,113 (2024), and the average annual debt service requirement will be \$9,856,173 (2023-2047, inclusive). Assuming no increase or decrease from the 2022 Gross Assessed Valuation and the Estimated Gross Assessed Valuation as of September 1, 2022, the issuance of no additional debt, and no other funds available for the payment of debt service, Contract Tax rates of \$0.55 and \$0.52 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement of the Outstanding Bonds and the Bonds and Contract Tax rates of \$0.40 and \$0.38 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements of the Outstanding Bonds and the Bonds, respectively. Water/Sewer/Drainage Contract Payments (all of which are derived from the Water/Sewer/Drainage Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Bonds or any Road Contract Revenue Bonds; or (ii) fund or maintain the Road Reserve Fund. Road Contract Payments (all of which are derived from the Road Contract Tax or other legally available funds of a MUD Participant) are not pledged for and are not available to be used to: (i) pay debt service on the Water/Sewer/Drainage Contract Revenue Bonds; or (ii) fund or maintain the Water/Sewer/Drainage Reserve Fund. See "FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED)—Debt Service Requirements."

Debt Burden on Property within the MUD Participants

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

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

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

Undeveloped Acreage and Vacant Lots

There are approximately 83 developable acres of land within the Service Area that have not been provided with water, sanitary sewer, drainage, park, road and other facilities necessary for the construction of taxable improvements. In addition, there are 744 vacant developed lots and 41 lots currently under construction. Approximately 709 acres of land in the Service Area are currently considered undevelopable, which includes Flewellen Creek, public rights-of-way, drainage ditches, detention ponds, open spaces, easements, parks, plant sites and utility sites. The District makes no representation as to when or if development of the undeveloped acreage will occur. See “THE DISTRICT AND THE SERVICE AREA—Land Use.”

Dependence on Major Taxpayers

The ten principal taxpayers within the Service Area represent \$146,463,136 or 5.71% of the certified portion (\$2,564,119,103) of the 2022 Gross Assessed Valuation of \$2,623,835,356, which represents ownership in the MUD Participants’ boundaries as of January 1, 2022. If a principal taxpayer were to default in the payment of taxes in an amount which exceeds the amount in the Road Debt Service Fund and the amounts in the Road Reserve Fund, the ability of the District to make timely payment of debt service on the Road Contract Revenue Bonds, including the Bonds, could be dependent on the ability of MUD Participants to enforce and liquidate their tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in a MUD Participant not having sufficient funds to pay its Contract Payments unless it sets a higher tax rate, hindering growth and leading to further defaults in the payment of taxes. The Master District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its Road Debt Service Fund but is required to maintain the Road Reserve Fund in the amount of the Road Reserve Requirement, which is an amount equal to one-half of maximum annual debt service on the Bonds, and any additional Road Contract Revenue Bonds outstanding. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAXING PROCEDURES—Levy and Collection of Taxes” and “APPENDIX A.”

Operational Expenses

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

Environmental Regulations

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater 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 in the form of a waiver under the MS4 Permit and is awaiting final approval from the TCEQ. If the District’s waiver is denied, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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

On June 9, 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. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. 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.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitation to Registered Owner's Rights

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created or confirmed in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the registered owners of the Bonds ("Registered Owners") have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, the Water/Sewer/Drainage Indenture provides certain limitations on the right of Registered Owners of the Bonds to institute suits, actions or proceedings at law or in equity upon the occurrence of an event of default. See "THE BONDS—Remedies in Event of Default" and "THE INDENTURE OF TRUST—Remedies" and "—Limitation on Action by Owners." Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the property of the Master District or property within the Service Area. Further, the Registered Owners cannot themselves foreclose on property within the Service Area or sell property within the Service Area to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

Pursuant to the Master District Contract and in connection with the development of the Service Area, the Master District may issue contract revenue bonds in a principal amount not to exceed \$483,000,000 to acquire and construct Master District Water/Sewer/Drainage Facilities and refunding of such bonds; and in a principal amount not to exceed \$121,450,000 to acquire and construct Master District Road Facilities and refunding of such bonds. All of the \$483,000,000 of bonds mentioned above and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Water/Sewer/Drainage Facilities, or refunding such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the "Water/Sewer/Drainage Contract Revenue Bonds." All of the \$121,450,000 of bonds mentioned above, including the Bonds, and any other contract revenue bonds issued for the purpose of constructing and acquiring Master District Road Facilities, or refunding such bonds, which may be authorized by any future amendment to the Master District Contract, are referred to herein collectively as the "Road Contract Revenue Bonds." Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount or such \$121,450,000 authorized amount. After the issuance of the Bonds, the Master District will have \$337,350,000 principal amount of Water/Sewer/Drainage Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Water/Sewer/Drainage Facilities and refunding of such bonds and \$45,765,000 principal amount of Road Contract Revenue Bonds authorized but unissued for the purpose of constructing or acquiring Master District Road Facilities and refunding of such bonds. The Bonds and all other Road Contract Revenue Bonds issued by the Master District, will be payable from the Road Contract Tax and the Water/Sewer/Drainage Contract Revenue Bonds will be payable from the Water/Sewer/Drainage Contract Tax. The Road Contract Tax and Water/Sewer/Drainage Contract Tax are referred to herein collectively as the "Contract Tax." The Master District anticipates that it will issue additional Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of Water/Sewer/Drainage Contract Revenue Bonds it may issue payable from the Water/Sewer/Drainage Contract Tax, the amount of Road Contract Revenue Bonds it may issue payable from the Road Contract Tax, or other contract revenue bonds it may issue payable from other taxes levied by the MUD Participants.

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

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

To date, certain of the Developers have advanced certain funds to or on behalf of the District for construction of facilities for which they have not been reimbursed. Following issuance of the Bonds, the District will owe approximately \$23,925,000 plus interest to such Developers. Included within said \$23,925,000 is approximately \$4,500,000 attributable to Master District Water/Sewer/Drainage Facilities serving the Service Area and approximately \$19,425,000 attributable to Master District Park Facilities serving the Service Area. The approximately \$4,500,000 will be paid for by contract revenue bonds to be issued by the Master District; and approximately \$19,425,000 will be paid for by park construction charges funded by bonds to be issued by the MUD Participants or other legally available funds of the MUD Participants. However, reimbursement to the Developers may be limited by the requirement that the outstanding principal amount of bonds issued by any MUD Participant for park/recreational facilities not exceed one percent (1%) of the value of the taxable property in that MUD Participant, unless, the MUD Participant meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by any MUD Participant may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in that district. See “MASTER DISTRICT CONTRACT.” The Master District intends to issue additional contract revenue bonds in order to reimburse the Developers for Master District Water/Sewer/Drainage Facilities and Master District Road Facilities and to develop the remainder of undeveloped but developable land in the boundaries of the MUD Participants. The Service Area is comprised of the District, MUD 170, MUD 171, MUD 172 and MUD 173. There are approximately 83 acres of undeveloped but developable land within the boundaries of the MUD Participants. In addition, future changes in health or environmental regulations could require the issuance of additional bonds to finance the construction of additional improvements without any corresponding increases in taxable value. See “THE BONDS—Issuance of Additional Debt.”

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

Marketability of the Bonds

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter 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 RATING” and “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. See “MUNICIPAL BOND INSURANCE.”

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

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

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the District under the Constitution and laws of the State of Texas, payable from the Road Pledged Revenues, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2022.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

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

SALE AND DISTRIBUTION OF THE BONDS

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was rendered by SAMCO Capital Markets, Inc. (the “Underwriter” or “Initial Purchaser”) bearing the interest rates shown on the cover page of this Official Statement, at a price of 97.0094% of the principal amount thereof which resulted in a net effective interest rate of 5.063702% as calculated pursuant to Chapter 1204, Texas Government Code.

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB through its EMMA System. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings “THE SYSTEM—Master District Facilities,” “FINANCIAL INFORMATION CONCERNING THE MASTER DISTRICT AND THE MUD PARTICIPANTS (UNAUDITED),” “TAX DATA,” and “APPENDICES A (Certain Financial Information Regarding the MUD Participants) and “B” (Financial Statements of MUD Participants). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2022.

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

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring 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 rating of "BBB-" to the Bonds. An explanation of the ratings may be obtained from S&P. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND INSURANCE."

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

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 September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$195.6 million and \$316.9 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Consultants

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

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

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

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

Independent Auditor: The MUD Participants' financial statements for the fiscal year ended September 30, 2021, were audited by McGrath & Co., PLLC. See "APPENDIX B" for a copy of MUD Participants' audited financial statement.

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

Updating the Official Statement

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

Certification of Official Statement

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

MISCELLANEOUS

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

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

ATTEST:

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

/s/ Gary Swafford
Secretary, Board of Directors

AERIAL LOCATION MAP

(Approximate boundaries of the Service Area as of May 2022)



PHOTOGRAPHS OF THE DISTRICT
(Taken May 2022)















APPENDIX A

Certain Financial Information Regarding the MUD Participants

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

Certain Calculations

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

Contract Debt: The principal amount of each MUD Participant's Master District Contract debt for the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds has been calculated for purposes of analysis by allocating the principal amount of the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds among the MUD Participants in proportion to their assessed valuation. The assessed valuations used for this calculation are based on the 2022 Gross Assessed Valuation of \$2,623,835,356. The MUD Participants' share of annual debt service requirements on the Water/Sewer/Drainage Contract Revenue Bonds and Road Contract Revenue Bonds will be determined annually by reference to their relative certified assessed valuations established by the Fort Bend Central Appraisal District.

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

Tax Rate Calculations: Tax rate calculations assume that each MUD Participant's assessed valuation does not change from the 2022 Gross Assessed Valuation of \$2,623,835,356 and that each MUD Participant collects ninety-five percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional contract revenue bonds.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 169

(In its Capacity as a MUD Participant)

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$48,748,000
Voter Authorized Unlimited Tax Road Bonds	\$10,556,000
Voter Authorized Unlimited Tax Park Bonds	\$23,212,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date	\$0
Debt Service Tax Limitation	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50
Maintenance Tax for Road Facilities Limitation.....	\$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	\$0
2022 Gross Assessed Valuation	\$18,030,677 (a)
Estimated Gross Assessed Valuation as of September 1, 2022	\$47,246,682 (b)

2022 Gross Assessed Valuation as a Percentage of
2022 Gross Assessed Valuation of all MUD Participants 0.69%

Average Annual Debt Service:
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2023-2047) \$67,730

Maximum Annual Debt Service:
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2024)..... \$92,627

Tax Rate Required to Pay Pro Rata Share of the Outstanding
Contract Revenue Bonds and the Bonds Based on 2022 Gross Assessed Valuation

Average Annual Debt Service:
Outstanding Contract Revenue Bonds and the Bonds (2023-2047)..... \$0.40

Maximum Annual Debt Service:
Outstanding Contract Revenue Bonds and the Bonds (2024)..... \$0.55

Status of Development as of August 25, 2022:

Acreage	321
Total Active Single-Family Connections Completed and Under Construction.....	109
Total Developed Lots	432
Total Active Multi-Family Connections (15 acres).....	190 (c)

- (a) The Appraisal District has certified \$59,900 of gross assessed value within the District as of January 1, 2022. An additional \$17,970,777 of gross assessed value, which represents 85% of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified.
- (b) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes, which was calculated by updating the 2022 Gross Assessed Valuation by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (c) The Broadstone Fulshear Apartments are currently under construction on approximately 15 acres.

Principal Taxpayers:

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2022 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Certified Taxable Assessed Valuation</u>	<u>% of 2022 Certified Taxable Assessed Valuation</u>
CCR Texas Holdings LP	Land	\$ 54,900	91.65%
Individual	Land	1,000	1.67%
Individual	Land	1,000	1.67%
Individual	Land	1,000	1.67%
Individual	Land	1,000	1.67%
Individual	Land	1,000	1.67%
Total		\$ 59,900	100.00%

Tax Rate Distribution:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt Service	\$0.00000	\$0.00000	\$0.00000	\$0.00000	\$0.00000
Contract	0.68500	0.68500	0.67500	0.69500	0.65000
Maintenance	0.65338	0.65338	0.66338	0.64338	0.68838
	<u>\$1.33838</u>	<u>\$1.33838</u>	<u>\$1.33838</u>	<u>\$1.33838</u>	<u>\$1.33838</u>

Historical Tax Collections:

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>	<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>	<u>Total Collections as of September 30, 2022 (c)</u>	
				<u>Amount</u>	<u>Percent</u>
2017	\$ 7,892,274	\$ 1.34220	\$ 105,930	\$ 105,930	100.00%
2018	7,386,360	1.33838	98,858	98,858	100.00%
2019	7,384,220	1.33838	98,829	98,829	100.00%
2020	7,392,264	1.33838	98,937	98,937	100.00%
2021	7,377,200	1.33838	98,735	98,735	100.00%
2022	18,030,677	1.33838	241,319	(d)	(d)

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

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 30, 2022.

(c) Unaudited.

(d) In process of collection. Taxes for 2022 are due January 31, 2023.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 170

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$126,140,000
Voter Authorized Unlimited Tax Road Bonds	\$ 50,400,000
Voter Authorized Unlimited Tax Park Bonds	\$ 69,860,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 31,435,000 (a)
Debt Service Tax Limitation	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50
Maintenance Tax for Road Facilities Limitation.....	\$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	\$29,600,000 (a)

2022 Gross Assessed Valuation	\$561,097,672 (b)
Estimated Gross Assessed Valuation as of September 1, 2022	\$622,085,418 (c)

2022 Gross Assessed Valuation as a Percentage of	
2022 Gross Assessed Valuation of all MUD Participants.....	21.38%

Average Annual Debt Service:	
Direct Debt (2023-2045)	\$1,922,786
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2023-2047)	\$2,107,707

Maximum Annual Debt Service:	
Direct Debt (2024)	\$2,106,238
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2024)	\$2,882,459

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds Based on 2022 Gross Assessed Valuation

Average Annual Debt Service:	
Direct Debt (2023-2045)	\$0.37
Outstanding Contract Revenue Bonds and the Bonds (2023-2047)	0.40
Total	\$0.77

Maximum Annual Debt Service:	
Direct Debt (2024)	\$0.40
Outstanding Contract Revenue Bonds and the Bonds (2024).....	0.55
Total	\$0.95

Status of Development as of August 25, 2022:

Acreage	848
Total Active Single-Family Connections Completed and Under Construction.....	1,518
Total Developed Lots	1,730
Total Lots Under Construction.....	41
Total Active Multi-Family Connections (15 acres).....	112 (d)
Total Commercial Development (16 acres).....	70 ESFCs (e)

- (a) Includes the \$7,900,000 Unlimited Tax Bonds, Series 2022, which sold on October 3, 2022 and are expected to be issued on November 8, 2022.
- (b) The Appraisal District has certified \$546,023,054 of gross assessed value within the District as of January 1, 2022. An additional \$15,074,618 of gross assessed value, which represents 65% of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified.
- (c) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes, which was calculated by updating the 2022 Gross Assessed Valuation by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (d) The Cross Creek Ranch II Apartments are under construction on approximately 15 acres.
- (e) 56 of such ESFCs (approximately 11 acres) are attributable to the Marcel Town Center. On June 18, 2021, the City purchased a portion of the land and improvements on such approximately 11 acres from Marcel Town Center Cross Creek LLC. The City purchased approximately 40.5% of the retail space, which will be used as a city hall, police station, and for other municipal purposes. The taxable assessed value of the Marcel Town Center remains uncertified and subject to review and downward revision prior to certification. The portion of the property purchased by the City is exempt from the payment of ad valorem taxes, which will be reflected on the 2022 tax roll once the value is certified. The remaining land and improvements will be fully taxable. Additionally, 12 ESFCs (approximately 3 acres) are attributable to a fire station for Fort Bend County Emergency Services District No. 4 constructed on approximately 3 acres, which is exempt from the payment of ad valorem taxes.

Principal Taxpayers:

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2022 Certified Taxable Assessed Valuation.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Certified Taxable Assessed Valuation</u>	<u>% of 2022 Certified Taxable Assessed Valuation</u>
Greenhouse 15, LLC	Land and improvements	\$ 11,606,180	2.14%
Perry Homes LLC	Land and improvements	8,619,310	1.59%
Taylor Morrison of Texas INC	Land	6,863,270	1.27%
Tri Pointe Homes Texas INC	Land and improvements	6,072,990	1.12%
CCR Texas Holdings LP	Land	4,435,330	0.82%
Newmark Homes Houston LLC	Land and improvements	4,253,380	0.78%
Trendmaker Homes Inc	Land and improvements	3,073,680	0.57%
Brazos Valley Schools Credit Union	Land and improvements	2,889,688	0.53%
RMHSLB Owner 1 LLC	Land and improvements	2,241,520	0.41%
Chesmar Homes LLC	Land and improvements	2,097,660	0.39%
Total		\$ 52,153,008	9.62%

Tax Rate Distribution:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Debt Service	\$0.36750	\$0.36750	\$0.36000	\$0.35000	\$0.30000
Contract	0.67250	0.66500	0.68500	0.69500	0.64000
Maintenance	0.29838	0.30588	0.29338	0.29338	0.29000
	\$1.33838	\$1.33838	\$1.33838	\$1.33838	\$1.23000

Historical Tax Collections:

<u>Tax Year</u>	<u>Net Certified Taxable Assessed Valuation (a)</u>	<u>Tax Rate</u>	<u>Total Tax Levy (b)</u>	<u>Total Collections as of September 30, 2022 (c)</u>	
				<u>Amount</u>	<u>Percent</u>
2017	\$ 123,948,751	\$ 1.34220	\$ 1,663,640	\$ 1,663,640	100.00%
2018	169,011,115	1.33838	2,262,011	2,262,011	100.00%
2019	211,047,024	1.33838	2,824,611	2,824,611	100.00%
2020	269,986,230	1.33838	3,613,442	3,612,061	99.96%
2021	349,370,747	1.33838	4,675,908	4,632,119	99.06%
2022	557,452,922	1.23000	6,856,671	(d)	(d)

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

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 30, 2022.

(c) Unaudited.

(d) In process of collection. Taxes for 2022 are due January 31, 2023.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 171

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$68,558,000	
Voter Authorized Unlimited Tax Road Bonds	\$17,150,000	
Voter Authorized Unlimited Tax Park Bonds	\$37,100,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date	\$28,015,000	(a)
Debt Service Tax Limitation	Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$ 1.50	
Maintenance Tax for Road Facilities Limitation.....	\$ 0.25	
Contract Tax Limitation	Unlimited	
Gross Outstanding Direct Debt	\$11,940,000	(a)

2022 Gross Assessed Valuation	\$456,996,776	(b)
Estimated Gross Assessed Valuation as of May 1, 2022.....	\$465,644,019	(c)

2022 Gross Assessed Valuation a Percentage of
2022 Gross Assessed Valuation of all MUD Participants 17.42%

Average Annual Debt Service:
Direct Debt (2023-2038) \$ 922,261
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2023-2047) \$1,716,662

Maximum Annual Debt Service:
Direct Debt (2034).....\$1,143,063
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2024)..... \$2,347,674

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding
Contract Revenue Bonds and the Bonds Based on 2022 Gross Assessed Valuation

Average Annual Debt Service:
Direct Debt (2023-2038) \$0.22
Outstanding Contract Revenue Bonds and the Bonds (2023-2047) 0.40
Total \$0.62

Maximum Annual Debt Service:
Direct Debt (2034)..... \$0.27
Outstanding Contract Revenue Bonds and the Bonds (2024)..... 0.55
Total \$0.82

Status of Development as of August 25, 2022:

Acreage 576
Total Active Single-Family Connections Completed and Under Construction.....909
Total Developed Lots 955
Total Commercial Development (43 acres)..... 117 ESFCs (d)

- (a) Includes \$2,790,000 Unlimited Tax Refunding Bonds, Series 2018, \$7,795,000 Unlimited Tax Refunding Bonds, Series 2019, and \$1,460,000 Unlimited Tax Refunding Bonds, Series 2020.
- (b) The Appraisal District has certified \$450,612,239 of gross assessed value within the District as of January 1, 2022. An additional \$6,384,537 of gross assessed value, which represents 85% of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified.
- (c) The Appraisal District has provided an estimated valuation as of May 1, 2022 for informational purposes, which was calculated by updating the 2021 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2021 to May 1, 2022. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (d) 29 of such ESFCs (approximately 33 acres) are attributable to a church that is exempt from the payment of ad valorem taxes.

Principal Taxpayers:

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2022 Certified Taxable Assessed Valuation.

Taxpayer	Type of Property	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
Alders at Cross Creek Property LLC	Land	\$ 8,321,736	1.85%
CCR Texas Holdings LP	Land and improvements	6,604,210	1.47%
Cesu Investments LLC	Land	3,574,820	0.79%
CCR Loan Subsidiary 1 LP	Land	3,427,790	0.76%
Calcam LLP	Personal Property	1,449,330	0.32%
Individual	Land and improvements	1,014,200	0.23%
Individual	Land and improvements	929,290	0.21%
Individual	Land and improvements	879,480	0.20%
Individual	Land and improvements	870,160	0.19%
Individual	Land and improvements	859,760	0.19%
Total		\$ 27,930,776	6.21%

Tax Rate Distribution:

	2018	2019	2020	2021	2022
Debt Service	\$0.27000	\$0.23500	\$0.21500	\$0.21500	\$0.21500
Contract	0.69500	0.69500	0.69500	0.69000	0.64500
Maintenance	0.14150	0.14420	0.16000	0.14500	0.14000
	\$1.10650	\$1.07420	\$1.07000	\$1.05000	\$1.00000

Historical Tax Collections:

Tax Year	Net Certified		Tax Rate	Total Tax Levy (b)	Total Collections as of September 30, 2022 (c)				
	Taxable Assessed Valuation (a)				Amount	Percent			
2017	\$	361,453,092	\$	1.11750	\$	4,039,238	\$	4,039,238	100.00%
2018		362,345,134		1.10650		4,009,349		4,009,349	100.00%
2019		372,021,184		1.07420		3,996,252		3,996,252	100.00%
2020		394,383,534		1.07000		4,219,904		4,215,645	99.90%
2021		402,753,629		1.05000		4,228,913		4,217,129	99.72%
2022		456,039,943		1.00000		4,560,399		(d)	(d)

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

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 30, 2022.

(c) Unaudited.

(d) In process of collection. Taxes for 2022 are due January 31, 2023.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 172

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$171,878,000	
Voter Authorized Unlimited Tax Road Bonds	\$ 31,710,000	
Voter Authorized Unlimited Tax Park Bonds	\$ 80,640,000	
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 39,225,000	(a)
Debt Service Tax Limitation	Unlimited	
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation	\$1.50	
Maintenance Tax for Road Facilities Limitation.....	\$0.25	
Contract Tax Limitation	Unlimited	
Gross Outstanding Direct Debt	\$ 29,345,000	(a)

2022 Gross Assessed Valuation	\$981,246,831	(b)
Estimated Gross Assessed Valuation as of September 1, 2022	\$982,122,990	(c)

2022 Gross Assessed Valuation as a Percentage of	
2022 Gross Assessed Valuation of all MUD Participants	37.40%

Average Annual Debt Service:

Direct Debt (2023-2043)	\$1,901,073
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2023-2047)	\$3,685,955

Maximum Annual Debt Service:

Direct Debt (2033).....	\$2,186,231
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2024).....	\$5,040,841

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds Based on 2022 Gross Assessed Valuation

Average Annual Debt Service:

Direct Debt (2023-2043)	\$0.21
Outstanding Contract Revenue Bonds and the Bonds (2023-2047)	0.40
Total	\$0.61

Maximum Annual Debt Service:

Direct Debt (2033)	\$0.24
Outstanding Contract Revenue Bonds and the Bonds (2024)	0.55
Total	\$0.79

Status of Development as of August 25, 2022:

Acreage	910
Total Active Single-Family Connections Completed and Under Construction	1,648
Total Developed Lots.....	1,648
Total Commercial Development (37 acres)	196 ESFCs (d)

- (a) Includes \$4,480,000 Unlimited Tax Refunding Bonds, Series 2021. Does not include approximately \$4,555,000 of unlimited tax park bonds expected to be issued in the fourth quarter of 2022.
- (b) The Appraisal District has certified \$973,936,538 of gross assessed value within the District as of January 1, 2022. An additional \$7,310,293 of gross assessed value, which represents 85% of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified.
- (c) The Appraisal District has provided an estimated valuation as of September 1, 2022 for informational purposes, which was calculated by updating the 2022 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2022 to September 1, 2022. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (d) 29 of such ESFCs (approximately 14 acres) are attributable to a school that is exempt from the payment of ad valorem taxes.

Principal Taxpayers:

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2022 Certified Taxable Assessed Valuation.

Taxpayer	Type of Property	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
Cross Creek Commons - Partnership A LP	Land and improvements	\$ 7,687,640	0.79%
MPG-CCC1 LLC	Land and improvements	4,494,500	0.46%
SCG-CCC2 LLC	Land and improvements	3,890,000	0.40%
Algonquin Cross Creek LLC	Land and improvements	3,018,870	0.31%
Naj Reality LLC	Land and improvements	2,525,310	0.26%
Southpaw Holdings at Fulshear LLC	Land and improvements	2,166,790	0.22%
Fulshear Car Wash Services LLC	Land and improvements	2,033,190	0.21%
Centerpoint Energy Electric	Personal Property	1,565,260	0.16%
Trendmaker Homes Inc.	Land, improvements and Personal Property	1,418,420	0.15%
C2 Commercial LLC	Land and improvements	1,265,740	0.13%
Total		\$ 30,065,720	3.09%

Tax Rate Distribution:

	2018	2019	2020	2021	2022
Debt Service	\$0.29500	\$0.29500	\$0.26500	\$0.22000	\$0.21000
Contract	0.69500	0.69500	0.69500	0.69500	0.64000
Maintenance	0.17000	0.14500	0.13000	0.11500	0.09500
	\$1.16000	\$1.13500	\$1.09000	\$1.03000	\$0.94500

Historical Tax Collections:

Tax Year	Net Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of September 30, 2022 (c)	
				Amount	Percent
2017	\$ 542,187,757	\$ 1.18500	\$ 6,424,925	\$ 6,420,807	99.94%
2018	565,392,493	1.16000	6,558,553	6,551,372	99.89%
2019	613,712,677	1.13500	6,965,639	6,956,377	99.87%
2020	704,023,534	1.09000	7,673,857	7,661,745	99.84%
2021	818,566,188	1.03000	8,431,232	8,364,703	99.21%
2022	978,973,497	0.94500	9,251,300	(d)	(d)

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

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 30, 2022.

(c) Unaudited.

(d) In process of collection. Taxes for 2022 are due January 31, 2023.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 173

Voter Authorized Unlimited Tax Water, Sewer and Drainage Bonds.....	\$103,376,000
Voter Authorized Unlimited Tax Road Bonds	\$ 24,430,000
Voter Authorized Unlimited Tax Park Bonds	\$ 45,920,000
Total Principal Amount of Unlimited Tax Bonds Issued to Date.....	\$ 26,300,000
Debt Service Tax Limitation	Unlimited
Maintenance Tax for Water, Sanitary Sewer, Drainage, and Park/Recreational Facilities Limitation.....	\$1.50
Maintenance Tax for Road Facilities Limitation.....	\$0.25
Contract Tax Limitation	Unlimited
Gross Outstanding Direct Debt	\$ 24,145,000

2022 Gross Assessed Valuation	\$606,463,401 (a)
Estimated Gross Assessed Valuation as of May 1, 2022.....	\$618,234,573 (b)

2022 Gross Assessed Valuation as a Percentage of	
2022 Gross Assessed Valuation of all MUD Participants	23.11%

Average Annual Debt Service:

Direct Debt (2023-2045).....	\$1,490,160
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2023-2047).....	\$2,278,119

Maximum Annual Debt Service:

Direct Debt (2030).....	\$1,590,006
Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds (2024).....	\$3,115,511

Tax Rates Required to Pay Direct Debt and Pro Rata Share of the Outstanding Contract Revenue Bonds and the Bonds Based on 2022 Gross Assessed Valuation

Average Annual Debt Service:

Direct Debt (2023-2045)	\$0.26
Outstanding Contract Revenue Bonds and the Bonds (2023-2047)	0.40
Total	\$0.66

Maximum Annual Debt Service:

Direct Debt (2030)	\$0.28
Outstanding Contract Revenue Bonds and the Bonds (2024)	0.55
Total	\$0.83

Status of Development as of August 25, 2022:

Acreage	638
Total Active Single-Family Connections Completed and Under Construction	1,006
Total Developed Lots	1,006
Total Active Multi-Family Connections (22 acres).....	156
Total Commercial Development (199 acres).....	559 ESFCs (c)

- (a) The Appraisal District has certified \$600,767,372 of gross assessed value within the District as of January 1, 2022. An additional \$5,696,029 of gross assessed value, which represents 85% of the uncertified value and is subject to review and adjustment prior to certification, remains uncertified.
- (b) The Appraisal District has provided an estimated valuation as of May 1, 2022 for informational purposes, which was calculated by updating the 2021 Gross Assessed Valuation provided by the Appraisal District to add the estimated value of improvements constructed from January 1, 2021 to May 1, 2022. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by any of the MUD Participants.
- (c) 132 of such ESFCs (approximately 125 acres) are attributable to schools and 12 of such ESFCs (approximately 3 acres) are attributable to a Fort Bend County Public Safety Annex, all of which are exempt from the payment of ad valorem taxes.

Principal Taxpayers:

The following table lists the principal taxpayer(s) and such properties' assessed value. This information is based upon the 2022 Certified Taxable Assessed Valuation.

Taxpayer	Type of Property	2022 Certified Taxable Assessed Valuation	% of 2022 Certified Taxable Assessed Valuation
CCR 21 LLC	Land and improvements	\$ 46,752,610	7.79%
HEB Grocery Company LP	Land, improvements and Personal Property	21,328,520	3.55%
Landmark Industries	Land and improvements	11,450,400	1.91%
Securecare Moveit McCallen LLC	Land and improvements	9,996,000	1.67%
RK CCR Phase I LLC	Land and improvements	9,661,200	1.61%
2ML Cross Creek LLC	Land and improvements	7,258,880	1.21%
RK CCR North LLC	Land and improvements	6,387,440	1.06%
Texas Petroleum Group LLC	Land and improvements	5,862,390	0.98%
Yurdy LLC	Land and improvements	5,109,220	0.85%
Shops at Cross Creek II LLC	Land and improvements	5,105,040	0.85%
Total		\$ 128,911,700	21.47%

Tax Rate Distribution:

	2018	2019	2020	2021	2022
Debt Service	\$0.33000	\$0.35500	\$0.30000	\$0.27250	\$0.24750
Contract	0.70500	0.67500	0.71500	0.69500	0.64500
Maintenance	0.30338	0.30838	0.25500	0.26750	0.23750
	\$1.33838	\$1.33838	\$1.27000	\$1.23500	\$1.13000

Historical Tax Collections:

Tax Year	Net Certified Taxable Assessed Valuation (a)		Tax Rate	Total Tax Levy (b)		Total Collections as of September 30, 2022 (c)	
						Amount	Percent
2017	\$	171,051,628	\$	1.34220	\$	2,295,855	\$ 2,294,895 99.96%
2018		254,192,392		1.33838		3,402,060	3,400,490 99.95%
2019		383,644,172		1.33838		5,134,617	5,132,152 99.95%
2020		509,938,253		1.27000		6,476,216	6,468,988 99.89%
2021		542,494,965		1.23500		6,699,813	6,675,560 99.64%
2022		606,031,568		1.13000		6,848,157	(d) (d)

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

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of September 30, 2022.

(c) Unaudited

(d) In process of collection. Taxes for 2022 are due January 31, 2023.

APPENDIX B

Audited Financial Statements of MUD Participants

Financial Statement of the District for the year ended September 30, 2021

Financial Statement of MUD 170 for the year ended September 30, 2021

Financial Statement of MUD 171 for the year ended September 30, 2021

Financial Statement of MUD 172 for the year ended September 30, 2021

Financial Statement of MUD 173 for the year ended September 30, 2021

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2021

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 169

Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 169, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 169
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 169, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGuath & Co, P.C.

Houston, Texas
January 4, 2022

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 169 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2021, was negative \$90,349,538. The District's net position is negative because the District incurs debt to construct water, sewer and storm drainage and road facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 35,155,400	\$ 28,077,084
Capital assets	94,405,953	82,289,126
Total assets	<u>129,561,353</u>	<u>110,366,210</u>
 Total deferred outflows of resources	 <u>1,047,042</u>	 <u>811,334</u>
 Current liabilities	 8,946,333	 13,230,273
Long-term liabilities	212,011,600	177,359,180
Total liabilities	<u>220,957,933</u>	<u>190,589,453</u>
 Net position		
Net investment in capital assets	(11,567,952)	(13,147,667)
Restricted	17,912,907	15,958,520
Unrestricted	(96,694,493)	(82,222,762)
Total net position	<u>\$ (90,349,538)</u>	<u>\$ (79,411,909)</u>

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021

The total net position of the District decreased during the current fiscal year by \$10,937,629. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 95,961	\$ 92,994
Contract taxes from participants	12,450,588	10,474,474
Master District fees	2,176,440	2,021,070
Other	126,360	147,442
Total revenues	<u>14,849,349</u>	<u>12,735,980</u>
Expenses		
Operating and administrative	1,680,790	2,075,780
Debt interest and fees	5,308,947	4,907,295
Developer interest	649,813	1,505,387
Debt issuance costs	1,839,287	2,962,785
Depreciation	2,447,216	2,128,308
Total expenses	<u>11,926,053</u>	<u>13,579,555</u>
Change in net position before other items	2,923,296	(843,575)
Other items		
Capital contribution	118,128	270,141
Transfers to other governments	<u>(13,979,053)</u>	<u>(13,089,241)</u>
Change in net position	(10,937,629)	(13,662,675)
Net position, beginning of year	<u>(79,411,909)</u>	<u>(65,749,234)</u>
Net position, end of year	<u>\$ (90,349,538)</u>	<u>\$ (79,411,909)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2021, were \$34,835,279, which consists of \$5,277 in the General Fund, \$19,599,119 in the Debt Service Fund, \$12,585,251 in the Capital Projects Fund and \$2,645,632 in the Special Revenue Fund.

***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021***

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	\$ 15,508	\$ 8,259
Total liabilities	\$ 10,231	\$ 13,299
Total deferred inflows		3,274
Total fund balance	5,277	(8,314)
Total liabilities, deferred inflows and fund balance	\$ 15,508	\$ 8,259

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

	2021	2020
Total revenues	\$ 41,943	\$ 32,495
Total expenditures	(63,352)	(55,542)
Revenues under expenditures	(21,409)	(23,047)
Other changes in fund balance	35,000	20,000
Net change in fund balance	\$ 13,591	\$ (3,047)

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- The District's developer advances funds to the District as needed to pay operating costs.

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Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 19,615,836</u>	<u>\$ 17,463,177</u>
Total liabilities	\$ 16,717	\$ 54,081
Total deferred inflows		6,504
Total fund balance	<u>19,599,119</u>	<u>17,402,592</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 19,615,836</u>	<u>\$ 17,463,177</u>

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

	2021	2020
Total revenues	\$ 12,515,950	\$ 10,620,484
Total expenditures	<u>(11,268,812)</u>	<u>(10,474,054)</u>
Revenues over expenditures	1,247,138	146,430
Other changes in fund balance	<u>949,389</u>	<u>1,337,399</u>
Net change in fund balance	<u>\$ 2,196,527</u>	<u>\$ 1,483,829</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues, contract tax revenues, and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

During the current year, the District, in its capacity as Master District, issued \$9,940,000 in contract revenue refunding bonds to refund \$9,765,000 of its outstanding Series 2013 bonds. This refunding will save \$2,403,230 in future debt service payments.

During the prior year, the District, in its capacity as Master District, issued \$3,630,000 in contract revenue refunding bonds to refund \$3,555,000 of its outstanding Series 2011A bonds. This refunding will save \$1,133,004 in future debt service payments.

During the prior year, the District, in its capacity as Master District, issued \$9,910,000 in contract revenue road refunding bonds to refund \$9,585,000 of its outstanding Series 2012 road bonds. This refunding will save \$1,935,556 in future debt service payments.

***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 12,616,077</u>	<u>\$ 7,761,477</u>
Total liabilities	\$ 30,826	\$ -
Total fund balance	<u>12,585,251</u>	<u>7,761,477</u>
Total liabilities and fund balance	<u>\$ 12,616,077</u>	<u>\$ 7,761,477</u>

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

	2021	2020
Total revenues	\$ 4,026	\$ 40,398
Total expenditures	<u>(12,699,909)</u>	<u>(27,812,171)</u>
Revenues under expenditures	(12,695,883)	(27,771,773)
Other changes in fund balance	17,519,657	31,079,670
Net change in fund balance	<u>\$ 4,823,774</u>	<u>\$ 3,307,897</u>

The Master District's capital asset activity in the current year was financed with proceeds from the issuance of its Series 2020C Contract Revenue Bonds (Water, Sewer and Drainage Facilities) and Series 2021 Contract Revenue Bonds (Water, Sewer and Drainage Facilities). During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2019A Contract Revenue Bonds (Water, Sewer and Drainage Facilities), Series 2020 Contract Revenue Bonds (Road Facilities), and Series 2020 Bond Anticipation Note.

Special Revenue Fund

The District uses a Special Revenue Fund to account for revenues received from participating districts that are restricted for the operation and maintenance of regional facilities. A comparative summary of the Special Revenue Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 2,907,979</u>	<u>\$ 2,844,171</u>
Total liabilities	\$ 262,347	\$ 884,043
Total fund balance	<u>2,645,632</u>	<u>1,960,128</u>
Total liabilities and fund balance	<u>\$ 2,907,979</u>	<u>\$ 2,844,171</u>

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

	2021	2020
Total revenues	\$ 2,297,208	\$ 2,032,825
Total expenditures	(1,625,092)	(1,843,333)
Revenues over expenditures	672,116	189,492
Other changes in fund balance	13,388	
Net change in fund balance	<u>\$ 685,504</u>	<u>\$ 189,492</u>

Revenues in the Special Revenue Fund primarily consist of charges to participating districts for the operation and maintenance of regional facilities. The amount the District charges is based upon a unit cost per equivalent single family connection reserved for each participating district. See Note 14 for additional information.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$13,591 greater than budgeted. The *Budgetary Comparison Schedule* on page 42 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
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Capital assets held by the District at September 30, 2021 and 2020 are summarized as follows:

	2021	2020
Capital assets not being depreciated		
Land and improvements	\$ 48,855,489	\$ 43,066,117
Construction in progress	189,761	244,388
	<u>49,045,250</u>	<u>43,310,505</u>
Capital assets being depreciated		
Infrastructure	23,050,704	18,733,800
Recreational and other facilities	34,843,120	30,330,726
	<u>57,893,824</u>	<u>49,064,526</u>
Less accumulated depreciation		
Infrastructure	(2,741,114)	(2,227,872)
Recreational and other facilities	(9,792,007)	(7,858,033)
	<u>(12,533,121)</u>	<u>(10,085,905)</u>
Depreciable capital assets, net	<u>45,360,703</u>	<u>38,978,621</u>
Capital assets, net	<u>\$ 94,405,953</u>	<u>\$ 82,289,126</u>

Capital asset additions during the current year include the following:

- Bonterra at Cross Creek Ranch detention/reservoir lake expansion
- Cross Creek Ranch detention/reservoir lake expansion
- Cross Creek Ranch Irrigation Pump Station No. 4
- Non-potable water to serve Golden Manor Drive and Morgans Spur Extension Nos. 1 and 2
- Landscaping projects within the Master District service area

The District's construction in progress is for engineering fees related to the construction of wastewater treatment plant expansion to 2.0 million gallons per day ("MGD").

The District, in its capacity as a participating district and in its capacity as Master District (the "Master District"), and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and storm drainage facilities to serve the District and Master District service area and, when completed, to convey title to the facilities to the City. The District also constructs major roadways to serve the District and the Master District service area, and the City has accepted such facilities for operation and maintenance. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developers are reimbursed. For the year ended September 30, 2021, capital assets in the amount of \$13,979,053 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 12.

Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021

Long-Term Debt and Related Liabilities

As of September 30, 2021, the District owes approximately \$42,481,803 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$15,893,514 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At September 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2011A	\$ -	\$ 110,000
2012 Road		310,000
2013	345,000	10,435,000
2014 Road	7,650,000	7,870,000
2015	11,950,000	12,550,000
2015A Road	6,200,000	6,550,000
2016	8,900,000	9,300,000
2017	12,820,000	13,720,000
2017A Refunding	2,340,000	2,455,000
2017B Road	7,420,000	7,760,000
2018 Road	5,130,000	5,350,000
2018A	21,275,000	22,200,000
2019 Refunding	12,575,000	13,160,000
2019A	17,210,000	17,580,000
2020 Road	16,750,000	16,750,000
2020A Refunding	3,570,000	3,630,000
2020B Road Refunding	9,790,000	9,910,000
2020C	13,500,000	
2021	9,425,000	
2021A Refunding	9,940,000	
	<u>\$ 176,790,000</u>	<u>\$ 159,640,000</u>

During the current year, the District issued \$22,925,000 in contract revenue bonds for water, sewer and drainage facilities and \$9,940,000 in contract revenue refunding bonds. At September 30, 2021, the District, in its capacity as a Master District, had \$343,850,000 authorized, but unissued for regional water, sewer and drainage facilities and the refunding of such bonds and \$62,335,000 for road facilities and the refunding of such bonds.

***Fort Bend County Municipal Utility District No. 169
Management's Discussion and Analysis
September 30, 2021***

At September 30, 2021, the District, in its capacity as a participating district, had \$48,748,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$23,212,000 for parks and recreational facilities and the refunding of such bonds; and \$10,556,000 for road facilities and the refunding of such bonds.

Next Year's Budget

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

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 41,943	\$ 42,700
Total expenditures	<u>(63,352)</u>	<u>(251,610)</u>
Revenues under expenditures	(21,409)	(208,910)
Other changes in fund balance	<u>35,000</u>	<u>208,910</u>
Net change in fund balance	13,591	
Beginning fund balance	<u>(8,314)</u>	5,277
Ending fund balance	<u><u>\$ 5,277</u></u>	<u><u>\$ 5,277</u></u>

Property Taxes

The District's property tax base decreased approximately \$15,000 for the 2021 tax year from \$7,392,264 to \$7,377,200. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.64338 per \$100 of assessed value and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2020 tax year were \$0.66338 per \$100 for maintenance and operations and \$0.675 per \$100 for contract tax for a combined total of \$1.33838 per \$100 of assessed value.

Basic Financial Statements

Fort Bend County Municipal Utility District No. 169
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Assets					
Cash	\$ 12,836	\$ 6,309	\$ -	\$ 317,670	\$ 336,815
Investments		13,481,136	12,616,077	2,522,251	28,619,464
Master District fees receivable				54,450	54,450
Internal balances	2,672	26,552		(29,224)	
Other receivables				4,487	4,487
Prepaid items				38,345	38,345
Investments with fiscal agent		6,101,839			6,101,839
Capital assets not being depreciated					
Capital assets, net					
Total Assets	<u>\$ 15,508</u>	<u>\$ 19,615,836</u>	<u>\$ 12,616,077</u>	<u>\$ 2,907,979</u>	<u>\$ 35,155,400</u>
Deferred Outflows of Resources					
Deferred difference on refunding					
Liabilities					
Accounts payable	\$ 10,047	\$ -	\$ 30,826	\$ 255,857	\$ 296,730
Other payables	184	137		184	505
Construction advances				6,306	6,306
Accrued interest payable		16,580			16,580
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	<u>10,231</u>	<u>16,717</u>	<u>30,826</u>	<u>262,347</u>	<u>320,121</u>
Fund Balances/Net Position					
Fund Balances					
Nonspendable				38,345	38,345
Restricted		19,599,119	12,585,251		32,184,370
Committed				2,607,287	2,607,287
Unassigned	5,277				5,277
Total Fund Balances	<u>5,277</u>	<u>19,599,119</u>	<u>12,585,251</u>	<u>2,645,632</u>	<u>34,835,279</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,508</u>	<u>\$ 19,615,836</u>	<u>\$ 12,616,077</u>	<u>\$ 2,907,979</u>	<u>\$ 35,155,400</u>
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Adjustments	Statement of Net Position
\$ -	\$ 336,815
	28,619,464
	54,450
	4,487
	38,345
	6,101,839
49,045,250	49,045,250
45,360,703	45,360,703
94,405,953	129,561,353
1,047,042	1,047,042
	296,730
	505
	6,306
1,686,212	1,702,792
42,481,803	42,481,803
6,940,000	6,940,000
169,529,797	169,529,797
220,637,812	220,957,933
(38,345)	
(32,184,370)	
(2,607,287)	
(5,277)	
(34,835,279)	
(11,567,952)	(11,567,952)
17,912,907	17,912,907
(96,694,493)	(96,694,493)
\$ (90,349,538)	\$ (90,349,538)

Fort Bend County Municipal Utility District No. 169

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Revenues					
Property taxes	\$ 41,939	\$ 63,788	\$ -	\$ -	\$ 105,727
Contract tax from participants		12,450,588			12,450,588
Penalties and interest		12			12
Master District fees				2,176,440	2,176,440
Miscellaneous		100		119,421	119,521
Investment earnings	4	1,462	4,026	1,347	6,839
Total Revenues	41,943	12,515,950	4,026	2,297,208	14,859,127
Expenditures/Expenses					
Operating and administrative					
Professional fees	44,331		135,320	314,944	494,595
Contracted services	5,835			20,028	25,863
Repairs and maintenance				731,647	731,647
Utilities				57,383	57,383
Regional water authority fees				145,135	145,135
Administrative	13,186	10,527		31,454	55,167
Other			15,000		15,000
Lease				156,000	156,000
Capital outlay			10,398,615	168,501	10,567,116
Debt service					
Principal		5,950,000			5,950,000
Interest and fees		4,950,178	19,981		4,970,159
Developer interest			649,813		649,813
Debt issuance costs		358,107	1,481,180		1,839,287
Depreciation					
Total Expenditures/Expenses	63,352	11,268,812	12,699,909	1,625,092	25,657,165
Revenues Over/(Under)					
Expenditures/Expenses	(21,409)	1,247,138	(12,695,883)	672,116	(10,798,038)
Other Financing Sources/(Uses)					
Proceeds from sale of bonds		516,955	22,408,045		22,925,000
Proceeds from sale of refunding bonds		9,940,000			9,940,000
Bond premium		354,550			354,550
Repayment of bond anticipation note			(4,875,000)		(4,875,000)
Payment to refunded bond escrow agent		(9,862,116)			(9,862,116)
Developer advances	35,000				35,000
Internal transfers			(13,388)	13,388	
Other Items					
Capital contributions					
Transfers to other governments					
Net Change in Fund Balances	13,591	2,196,527	4,823,774	685,504	7,719,396
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	(8,314)	17,402,592	7,761,477	1,960,128	27,115,883
End of the year	\$ 5,277	\$ 19,599,119	\$ 12,585,251	\$ 2,645,632	\$ 34,835,279

See notes to basic financial statements.

Adjustments	Statement of Activities
\$ (9,778)	\$ 95,949
	12,450,588
	12
	2,176,440
	119,521
	6,839
<u>(9,778)</u>	<u>14,849,349</u>
	494,595
	25,863
	731,647
	57,383
	145,135
	55,167
	15,000
	156,000
(10,567,116)	
(5,950,000)	
338,788	5,308,947
	649,813
	1,839,287
<u>2,447,216</u>	<u>2,447,216</u>
<u>(13,731,112)</u>	<u>11,926,053</u>
13,721,334	2,923,296
(22,925,000)	
(9,940,000)	
(354,550)	
4,875,000	
9,862,116	
(35,000)	
118,128	118,128
<u>(13,979,053)</u>	<u>(13,979,053)</u>
(7,719,396)	
(10,937,629)	(10,937,629)
<u>(106,527,792)</u>	<u>(79,411,909)</u>
<u><u>\$(125,184,817)</u></u>	<u><u>\$ (90,349,538)</u></u>

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 169 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 21, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on August 30, 2007, and the first bonds were issued on December 17, 2009.

The District’s primary activities include, or will include the financing and construction of water, sewer, drainage, parks and recreational facilities and road improvements within the boundaries of the District and the Master District service area (see Note 14 for additional information). As further discussed in Note 10, the District transfers certain facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District’s internal water, sewer and drainage facilities (to the extent such facilities are not conveyed to the City) and all other financial transactions not reported in other funds. The primary financial resources are property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary sources of revenue for debt service are contract tax payments from participant districts in the Master District service area and property taxes. Expenditures include principal and interest on bonds and the cost incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s regional water, sewer, drainage and road facilities serving the Master District service area.
- The Special Revenue Fund is used to account for revenues received from participating districts that are restricted to expenditure for the operation and maintenance of regional water, sewer, drainage, recreational and road facilities.

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, contract taxes from participating districts, Master District fees, and interest earned on investments. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

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

Depreciable capital assets, which primarily consist of landscaping improvements and park and recreational facilities are depreciated using the straight-line method as follows:

Assets	Useful Life
Infrastructure	20-45 years
Recreational and other facilities	10-35 years

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the Special Revenue Fund consist of amounts restricted for the operation and maintenance of the regional water, sewer, drainage, recreational and road facilities.

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 34,835,279
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 106,939,074	
Less accumulated depreciation	<u>(12,533,121)</u>	
Change due to capital assets		94,405,953

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

1,047,042

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

Bonds payable, net	(176,469,797)	
Interest payable on bonds	<u>(1,686,212)</u>	
Change due to long-term debt		(178,156,009)

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

(42,481,803)

Total net position - governmental activities

\$ (90,349,538)

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

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

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

Net change in fund balances - total governmental funds	\$ 7,719,396
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes.

(9,778)

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; but reduce the liability for due to developers in the *Statement of Net Position*.

10,567,116

In the *Statement of Activities*, the cost of capital assets retained by the District are capitalized and depreciated over their estimated useful lives. Other assets are conveyed to the City of Fulshear or are conveyed to the District from participating districts.

Depreciation expense	\$ (2,447,216)	
Capital contribution	118,128	
Transfers to other governments	<u>(13,979,053)</u>	(16,308,141)

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

Issuance of long-term debt	(32,865,000)	
Payment to refunded bond escrow agent	9,862,116	
Bond premium	(354,550)	
Principal payments	5,950,000	
Repayment of bond anticipation note	4,875,000	
Interest expense accrual	<u>(338,788)</u>	(12,871,222)

Amounts received from the District's developers from operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*.

(35,000)

Change in net position of governmental activities	<u><u>\$ (10,937,629)</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments with Fiscal Agent

The District's bond resolutions and indentures of trust require that the District maintains a debt service reserve fund for contract revenue bonds in an amount equal to one-half of the maximum annual debt service requirements on the outstanding bonds. The reserve funds are held by a trustee and are reported as restricted investments. As of September 30, 2021, the District's reserve fund balances in the Debt Service Fund are \$4,262,061 for water, sewer and drainage bonds and \$1,839,778 for road facility bonds.

Investments

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

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

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

As of September 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Money Market	Debt Service	<u>\$ 19,566,940</u>	56%	AAAm	40 days
TexPool	Debt Service	16,035	44%	AAAm	37 days
	Capital Projects	12,616,077			
	Special Revenue	2,522,251			
		<u>15,154,363</u>			
Total		<u>\$ 34,721,303</u>	<u>100%</u>		

Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in the money market fund is measured using published fair value per share (Level 1 inputs).

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2021, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 6,172	Maintenance tax collections not remitted as of year end.
Debt Service Fund	Special Revenue Fund	32,724	Proceeds from the sale of refunding bonds in excess of debt issuance costs paid by the Special Revenue Fund.
Special Revenue Fund	General Fund	3,500	Amounts transferred to cover General Fund expenditures in the prior year.

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

During the current year, the Capital Projects Fund transferred \$13,388 to the Special Revenue Fund to reimburse engineering fees paid by the Special Revenue Fund in the prior year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2021, is as follows:

	Beginning Balances	Additions/ Adjustments	Retirements	Ending Balances
Capital assets not being depreciated				
Land and improvements	\$ 43,066,117	\$ 5,789,372	\$ -	\$ 48,855,489
Construction in progress	244,388	189,761	(244,388)	189,761
	<u>43,310,505</u>	<u>5,979,133</u>	<u>(244,388)</u>	<u>49,045,250</u>
Capital assets being depreciated				
Infrastructure	18,733,800	4,316,904		23,050,704
Recreational and other facilities	30,330,726	4,512,394		34,843,120
	<u>49,064,526</u>	<u>8,829,298</u>		<u>57,893,824</u>
Less accumulated depreciation				
Infrastructure	(2,227,872)	(513,242)		(2,741,114)
Recreational and other facilities	(7,858,033)	(1,933,974)		(9,792,007)
	<u>(10,085,905)</u>	<u>(2,447,216)</u>		<u>(12,533,121)</u>
Subtotal depreciable capital assets, net	<u>38,978,621</u>	<u>6,382,082</u>		<u>45,360,703</u>
Capital assets, net	<u>\$ 82,289,126</u>	<u>\$ 12,361,215</u>	<u>\$ (244,388)</u>	<u>\$ 94,405,953</u>

Depreciation expense for the current year was \$2,447,216.

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 5 – Capital Assets (continued)

The District has a contractual commitment in the amount of \$5,875,220 for the construction of the wastewater treatment plant expansion to 2.0MGD. As of September 30, 2021, the District has not paid any construction costs related to the project.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$4,875,000. This BAN was repaid on December 9, 2020 with proceeds from the issuance of the District's Series 2020C Contract Revenue Bonds (Water, Sewer and Drainage Facilities).

The effect of this transaction on the District's short-term obligations are as follows:

Beginning balance	\$ 4,875,000
Amounts repaid	(4,875,000)
Ending balance	<u>\$ -</u>

Note 7 – Due to Developers

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

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

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

	Master District	Internal District	Total
Due to developers, beginning of year	\$ 24,418,780	\$ 170,171	\$ 24,588,951
Developer reimbursements	(8,800,742)		(8,800,742)
Developer funded construction and adjustments	25,932,697	725,897	26,658,594
Developer operating advances		35,000	35,000
Due to developers, end of year	<u>\$ 41,550,735</u>	<u>\$ 931,068</u>	<u>\$ 42,481,803</u>

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 7 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$15,893,514, which is included in the following schedule of contractual commitments. This amount consists of approximately \$5,809,472 in regional facilities under construction in its capacity as a Master District and approximately \$10,084,042 in internal facilities. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Utilities and paving to serve:			
Creek Rush at Cross Creek Ranch, Section 1	\$ 1,339,720	\$ -	\$ 1,339,720
Creek Rush at Cross Creek Ranch, Section 3	1,788,988		1,788,988
Creek Rush at Cross Creek Ranch, Section 4	1,412,568	75,914	1,336,654
Creek Rush at Cross Creek Ranch, Section 5	2,229,748	295,715	1,934,033
Creek Rush at Cross Creek Ranch, Section 6	650,772	101,883	548,889
Fulshear Bend Drive Extension No. 5	3,420,333	1,099,942	2,320,391
Sycamore Ranch Lane	1,587,461	454,450	1,133,011
Landscaping improvements to serve:			
Creek Trace, Sections 2 and 3	518,100	418,668	99,432
Creek Trace, Section 6	282,711	241,797	40,914
Morgan Spur extensions 1 and 2	708,453	230,698	477,755
Bonterra, Sections 11A and 12	822,243		822,243
Flewellen Creek Long Span bridge light improvements	64,329		64,329
Lift station no. 7	696,041	20,087	675,954
Fulshear Bend Drive Extension No. 4 - utilities	372,047	295,194	76,853
	<u>\$ 15,893,514</u>	<u>\$ 3,234,348</u>	<u>\$ 12,659,166</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 176,790,000
Unamortized discounts	(943,543)
Unamortized premium	623,340
	<u>\$ 176,469,797</u>
Due within one year	<u>\$ 6,940,000</u>

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 8 – Long-Term Debt (continued)

The District's bonds payable at September 30, 2021, consists of contract revenue bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 345,000	\$ 11,310,000	3.00% - 5.00%	December 1, 2017/2021	December 1, June 1	December 1, 2021
2014 Road	7,650,000	8,460,000	3.00% - 4.125%	December 1, 2017/2039	December 1, June 1	December 1, 2022
2015	11,950,000	15,000,000	2.00% - 4.00%	December 1, 2016/2040	December 1, June 1	December 1, 2023
2015A Road	6,200,000	8,850,000	2.00% - 5.50%	December 1, 2016/2041	December 1, June 1	December 1, 2023
2016	8,900,000	11,000,000	2.00% - 3.00%	December 1, 2017/2041	December 1, June 1	December 1, 2024
2017	12,820,000	15,320,000	2.25% - 3.50%	December 1, 2018/2042	December 1, June 1	December 1, 2024
2017A Refunding	2,340,000	2,455,000	2.00% - 3.25%	December 1, 2020/2034	December 1, June 1	December 1, 2024
2017B Road	7,420,000	8,440,000	2.00% - 4.50%	December 1, 2018/2042	December 1, June 1	December 1, 2024
2018 Road	5,130,000	5,570,000	3.00% - 5.50%	December 1, 2019/2043	December 1, June 1	December 1, 2024
2018A	21,275,000	23,000,000	3.00% - 5.00%	December 1, 2019/2043	December 1, June 1	December 1, 2024
2019 Refunding	12,575,000	13,245,000	2.00% - 3.00%	December 1, 2019/2036	December 1, June 1	December 1, 2025
2019A	17,210,000	17,580,000	2.00% - 3.00%	December 1, 2020/2044	December 1, June 1	December 1, 2025
2020 Road	16,750,000	16,750,000	2.00% - 2.50%	December 1, 2021/2045	December 1, June 1	December 1, 2026
2020A Refunding	3,570,000	3,630,000	2.00% - 3.00%	December 1, 2020/2037	December 1, June 1	December 1, 2026
2020B Road Refunding	9,790,000	9,910,000	2.00% - 3.00%	December 1, 2020/2038	December 1, June 1	December 1, 2026
2020C	13,500,000	13,500,000	2.00% - 4.00%	December 1, 2021/2045	December 1, June 1	December 1, 2026
2021	9,425,000	9,425,000	2.00% - 4.00%	December 1, 2022/2045	December 1, June 1	December 1, 2027
2021A Refunding	9,940,000	9,940,000	2.00% - 4.00%	December 1, 2021/2038	December 1, June 1	December 1, 2027
	<u>\$ 176,790,000</u>					

Note 8 – Long-Term Debt (continued)

Payments of principal and interest on all series of contract revenue bonds are to be provided from the participant districts, including the District in its capacity as a participant district, based on their pro rata shares of the total certified assessed valuation of all participant districts. The participant districts are contractually required to levy a contract tax in an amount sufficient to meet their required contribution. See Note 14 for additional information.

Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At September 30, 2021, the District, in its capacity as a participating district, had \$48,748,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$23,212,000 for parks and recreational facilities and \$10,556,000 for road facilities, and the refunding of such bonds. The District, in its Master District capacity, had contract revenue bonds of \$343,850,000 authorized, but unissued for the purpose of acquiring and constructing regional water, sewer and drainage facilities needed to provide services to all participating districts and \$62,335,000 for road facilities, and the refunding of such bonds.

On December 9, 2020, the District, in its capacity as a Master District, issued its \$13,500,000 Series 2020C Contract Revenue Bonds (Water, Sewer, and Drainage Facilities) at a net effective interest rate of 2.647198%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed to serve the Master District service area plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$4,875,000 BAN issued in the previous fiscal year; and (3) to make a deposit into the debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds.

On August 12, 2021, the District, in its capacity as a Master District, issued its \$9,425,000 Series 2021 Contract Revenue Bonds (Water, Sewer, and Drainage Facilities) at a net effective interest rate of 2.211922%. Proceeds of the bonds will be used to finance the construction of the wastewater treatment plant expansion to 2.0 MGD and to make a deposit into the debt service reserve fund in an amount sufficient to satisfy the reserve requirements of the bonds.

On September 14, 2021, the District, in its capacity as a Master District, issued its \$9,940,000 Series 2021A Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities) at a net effective interest rate of 2.051451% to refund \$9,765,000 of outstanding Series 2013 bonds. The District refunded such bonds to reduce total debt service payments over future years by approximately \$2,403,230 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,916,588. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through the redemption date of the bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. As of September 30, 2021, the outstanding principal of defeased bonds is \$9,765,000.

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 8 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$	159,640,000
Bonds issued		32,865,000
Bonds retired		(5,950,000)
Bonds refunded		(9,765,000)
Bonds payable, end of year	\$	<u>176,790,000</u>

As of September 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 6,940,000	\$ 4,882,152	\$ 11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027	7,535,000	3,904,478	11,439,478
2028	7,680,000	3,701,790	11,381,790
2029	7,815,000	3,501,225	11,316,225
2030	8,030,000	3,293,340	11,323,340
2031	8,185,000	3,078,623	11,263,623
2032	8,330,000	2,857,418	11,187,418
2033	8,500,000	2,625,344	11,125,344
2034	8,685,000	2,384,544	11,069,544
2035	8,840,000	2,138,550	10,978,550
2036	8,800,000	1,887,553	10,687,553
2037	8,395,000	1,638,807	10,033,807
2038	8,140,000	1,396,806	9,536,806
2039	8,000,000	1,156,140	9,156,140
2040	6,930,000	923,834	7,853,834
2041	6,365,000	711,246	7,076,246
2042	5,775,000	520,437	6,295,437
2043	5,230,000	348,159	5,578,159
2044	4,280,000	199,946	4,479,946
2045	3,190,000	91,852	3,281,852
2046	2,020,000	24,750	2,044,750
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 9 – Property Taxes

Voters of the District have authorized the District's Board of Directors to levy taxes annually for use in financing general maintenance and operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.33838 per \$100 of assessed value, of which \$0.66338 was allocated to maintenance and operations and \$0.675 was allocated to contract taxes. The resulting tax levy was \$98,937 on the adjusted taxable value of \$7,392,264.

Note 10 – Transfers to Other Governments

In accordance with the Utility Agreement between the District and the City of Fulshear (the "City"), the District conveys its potable water, sewer, and drainage (excluding detention ponds and drainage channels) facilities to the City (see Note 12). The City has also accepted for operation and maintenance major roadways constructed by the District. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. Additionally, amounts reported for completed projects are trued up when developers are reimbursed. As a result, transfers to other governments includes new completed projects and adjustments for projects completed in previous fiscal years. For the year ended September 30, 2021, the District reported transfers to other governments in the amount of \$13,979,053 for projects completed and transferred to the City and developer reimbursements for projects completed in previous fiscal years.

Note 11 – Lease Agreements

On October 1, 2007, the District entered into a lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$3,800. The total cost of the lease for the fiscal year ended September 30, 2021 was \$45,600. Pursuant to a Partial Assignment Lease Agreement dated August 19, 2008, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

Note 11 – Lease Agreements (continued)

On January 24, 2011, the District entered into a lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Monthly payments for the lease are \$3,000. The total cost of the lease for the fiscal year ended September 30, 2021 was \$36,000. Pursuant to a Partial Assignment of Lease Agreement dated August 1, 2011, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

On January 23, 2013, the District entered into a lease agreement for a temporary wastewater treatment plant. As amended, this lease agreement provides that the lease expires May 1, 2022. The District has the option to extend the lease on a month to month basis following expiration of the term. Effective December 31, 2017, monthly payments for the lease were reduced from \$12,800 to \$6,200. The total cost of the lease for the fiscal year ended September 30, 2021 was \$74,400. Pursuant to a Partial Assignment of Lease Agreement dated February 18, 2014, the City has assumed the District's obligation for ordinary expenses related to repairing and maintaining the equipment.

Future minimum lease payments as of September 30, 2021 for term leases total \$65,000, all of which is for the 2022 fiscal year.

Standard lease terms require the District to prepay the last month's lease payment upon inception of the lease. All such amounts are recorded as a prepaid expense on the *Statement of Net Position*.

Note 12 – Utility Agreement with the City of Fulshear

On December 18, 2007, the District entered into a Utility Agreement, as subsequently amended, (the "Utility Agreement") with the City for construction and extension of water distribution facilities, sanitary sewer collection and treatment facilities and drainage facilities to serve the District and the Master District service area. As the system is acquired or constructed, the District will transfer the system (except for detention and drainage channel facilities, non-potable water facilities, and a water quality basin) to the City but will reserve a security interest in the System. The District, not the City, is responsible to own and maintain detention and drainage channel facilities, non-potable water facilities, the water quality basin and recreational facilities. In addition, the District will construct major roadways serving the District and the Master District service area, which facilities have been accepted by the City for operation and maintenance. The term of the agreement is 30 years from the year after the year the District issues unlimited tax bonds. The District has not yet issued unlimited tax bonds.

The City will provide water and wastewater services to customers in the District and in the Master District service area. Water and wastewater rates charged by the City to customers in the District and in the Master District service area may not exceed the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City. The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

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

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment (the “Annual Payment”) to the District on February 28th of each year following the year the District issues its first series of unlimited tax bonds and shall continue for 30 years from the year after the year the District issues unlimited tax bonds. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. For the fiscal year ended September 30, 2021, the District has not collected an annual payment from City.

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

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

Note 13 – Cost Sharing Agreement

On July 2, 2020, the District entered in a cost sharing agreement with the City for the rehabilitation and improvement of wastewater treatment plant facilities to increase capacity from 1.0MGD to 1.5MGD. During the prior year, the City advanced funds to the District of \$584,888 to pay for its portion of the construction cost. The project was completed during the current year. As of September 30, 2021, the District had \$6,306 in construction advances remaining. Upon acceptance of the project by the City, the City will own and maintain the facilities in accordance with the Utility Agreement, and all capacity in such plant facilities will continue to be reserved to the District.

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 14 – Master District

The District, in its capacity as a Master District, has entered into contracts, as amended, (the “Contracts”) with Fort Bend County Municipal Utility District No. 169 in its capacity as a participating district, Fort Bend County Municipal Utility District No. 170, Fort Bend County Municipal Utility District No. 171, Fort Bend County Municipal Utility District No. 172 and Fort Bend County Municipal Utility District No. 173 whereby the Master District agrees to provide or cause to be provided the regional water supply and distribution facilities, wastewater collection, treatment and disposal facilities, detention/drainage facilities, road facilities and recreational facilities to serve all districts located within the Master District service area. Pursuant to the Contracts with each of the participating districts, and pursuant to the Contract between the District (in its capacity as participating district) and the District (in its capacity as a Master District), the District, in addition to its role as Master District, has the same rights and duties as the other participant districts. The Contracts have a term that expires on January 17, 2052. As discussed in Note 12, the potable water, sewer, drainage (excluding detention/drainage channel facilities and the water quality basin) and road facilities are transferred to the City to own, operate and maintain.

As of September 30, 2021, the District, in its Master District capacity, is authorized to issue \$343,850,000 in contract revenue bonds for the purpose of acquiring and constructing water, sewer and drainage facilities needed to provide services to all participating districts in the service area and \$62,335,000 for road facilities; and the refunding of such bonds. The participating districts, including the District in its capacity as a participating district, shall contribute to the payment of debt service requirements on the contract revenue bonds issued by the Master District based on their pro rata share of the total certified assessed valuation of all participating districts.

The Master District finances water, sewer, and drainage facilities and road facilities through the issuance of contract revenue bonds. The Master District finances park and recreational facilities by imposing park construction charges on the participating districts, which park construction charges are calculated by the Master District from time to time based on each participating district’s pro rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The participating districts are obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the participating districts are not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in a participating district, unless certain financial conditions are met.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. For the year ended September 30, 2021, the Master District has received \$2,176,440 in Master District fees.

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

Fort Bend County Municipal Utility District No. 169
Notes to Financial Statements
September 30, 2021

Note 14 – Master District (continued)

In accordance with the Contracts, the participating districts construct certain facilities which are conveyed to the Master District upon completion of construction. The District reports these completed projects as “Capital contribution” on the *Statement of Activities*. For the year ended September 30, 2021, the total amount of projects completed and transferred to the Master District were \$118,128.

Note 15 – Risk Management

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

Note 16 – Economic Dependency

The District, in its capacity as a participating district, is dependent upon its developers for operating advances. The developers continue to own substantially all of the taxable property within the District. The developers’ willingness to make future operating advances and to pay property taxes will directly affect the District’s ability to meet its future obligations.

Note 17 – Subsequent Events

On November 4, 2021, the District, in its capacity as a Master District, issued its \$14,000,000 Series 2021B Contract Revenue Bonds (Road Facilities) at a net effective rate of 2.567654%. Proceeds from the bonds were used to reimburse the District’s developers for road improvements constructed to serve the Master District service area.

On December 14, 2021, the District, in its capacity as a Master District, issued its \$3,370,000 Series 2021 Bond Anticipation Note at a net effective rate of 0.99%. Proceeds from the BAN were used to reimburse the District’s developers for the cost of water, sewer and drainage facilities constructed to serve the Master District service area.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 169

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 42,500	\$ 41,939	\$ (561)
Investment earnings		4	4
Total Revenues	42,500	41,943	(557)
Expenditures			
Operating and administrative			
Professional fees	29,000	44,331	(15,331)
Contracted services	6,000	5,835	165
Administrative	13,150	13,186	(36)
Total Expenditures	48,150	63,352	(15,202)
Revenues Under Expenditures	(5,650)	(21,409)	(15,759)
Other Financing Sources			
Developer advances	5,650	35,000	29,350
Net Change in Fund Balance		13,591	13,591
Fund Balance			
Beginning of the year	(8,314)	(8,314)	
End of the year	\$ (8,314)	\$ 5,277	\$ 13,591

Fort Bend County Municipal Utility District No. 169

Required Supplementary Information - Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Master District fees	\$ 2,218,380	\$ 2,176,440	\$ (41,940)
Investment earnings		1,347	1,347
Total Revenues	2,218,380	2,297,208	78,828
Expenditures			
Operating and administrative			
Professional fees	346,000	314,944	31,056
Contracted services	37,000	20,028	16,972
Repairs and maintenance	890,000	731,647	158,353
Utilities	42,000	57,383	(15,383)
Regional water authority fees	220,000	145,135	74,865
Administrative	32,650	31,454	1,196
Lease	156,000	156,000	
Capital outlay		168,501	(168,501)
Total Expenditures	1,723,650	1,625,092	98,558
Revenues Over Expenditures	494,730	672,116	177,386
Other Financing Sources			
Internal transfers		13,388	13,388
Net Change in Fund Balance	494,730	685,504	190,774
Fund Balance			
Beginning of the year	1,960,128	1,960,128	
End of the year	\$ 2,454,858	\$ 2,645,632	\$ 190,774

Fort Bend County Municipal Utility District No. 169
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund and Special Revenue Fund by the District's Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. There were no amendments to the budgets during the year.

Texas Supplementary Information

Fort Bend County Municipal Utility District No. 169

TSI-1. Services and Rates

September 30, 2021

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Solid Waste/Garbage	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Irrigation
<input checked="" type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input checked="" type="checkbox"/> Roads	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)			
<input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer facilities accepted by the City of Fulshear for operation and maintenance.</u>			

2. Retail Service Providers N/A

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-1. Services and Rates
September 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>N/A</u>	(Gallons billed / Gallons pumped)
		<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Fulshear

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2021

Professional fees	
Legal	\$ 42,831
Audit	1,500
	<hr/> 44,331 <hr/>
Contracted services	
Bookkeeping	<hr/> 5,835 <hr/>
Administrative	
Directors fees	5,250
Printing and office supplies	783
Insurance	6,670
Other	483
	<hr/> 13,186 <hr/>
Total expenditures	<hr/> \$ 63,352 <hr/>

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	397,685 kWh	\$ 57,383
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditor's report.

September 30, 2021

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-4. Taxes Levied and Receivable
September 30, 2021

	Maintenance	Contract		
	Taxes	Revenue Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,274	\$ 3,516	\$ 6,790	
2020 Original Tax Levy	49,205	50,067	99,272	
Adjustments	(166)	(169)	(335)	
Adjusted Tax Levy	49,039	49,898	98,937	
Total to be accounted for	52,313	53,414	105,727	
Tax collections:				
Current year	49,039	49,898	98,937	
Prior years	3,274	3,516	6,790	
Total Collections	52,313	53,414	105,727	
Taxes Receivable, End of Year	\$ -	\$ -	\$ -	
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 7,862,670	\$ 7,832,000	\$ 7,500,150	\$ 8,012,050
Improvements	13,250	11,110	13,250	13,250
Exemptions	(483,656)	(458,890)	(127,040)	(133,026)
Total Property Valuations	\$ 7,392,264	\$ 7,384,220	\$ 7,386,360	\$ 7,892,274
Tax Rates per \$100 Valuation:				
Maintenance tax rates *	\$ 0.66338	\$ 0.65338	\$ 0.65338	\$ 0.6472
Contract tax rates	0.67500	0.68500	0.68500	0.6950
Total Tax Rates per \$100 Valuation	\$ 1.33838	\$ 1.33838	\$ 1.33838	\$ 1.34220
Adjusted Tax Levy:	\$ 98,937	\$ 98,829	\$ 98,858	\$ 105,930
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters for water, wastewater,
drainage and recreational facilities: \$1.50 on 11/6/2007

* Maximum Maintenance Tax Rate Approved by Voters for road facilities: \$0.25 on 11/4/2008

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2013 Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
<u>2022</u>	<u>\$ 345,000</u>	<u>\$ 5,175</u>	<u>\$ 350,175</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2014 Contract Revenue Bonds (Road Facilities)--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 230,000	\$ 286,775	\$ 516,775
2023	245,000	278,500	523,500
2024	260,000	270,925	530,925
2025	275,000	262,900	537,900
2026	290,000	254,062	544,062
2027	305,000	244,203	549,203
2028	325,000	233,369	558,369
2029	345,000	221,428	566,428
2030	365,000	208,559	573,559
2031	385,000	194,244	579,244
2032	405,000	178,444	583,444
2033	430,000	161,744	591,744
2034	455,000	144,044	599,044
2035	480,000	125,344	605,344
2036	510,000	105,544	615,544
2037	540,000	84,544	624,544
2038	570,000	62,344	632,344
2039	600,000	38,568	638,568
2040	635,000	13,097	648,097
	<u>\$ 7,650,000</u>	<u>\$ 3,368,638</u>	<u>\$ 11,018,638</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2015 Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 600,000	\$ 405,375	\$ 1,005,375
2023	600,000	390,375	990,375
2024	600,000	372,375	972,375
2025	600,000	354,375	954,375
2026	600,000	336,375	936,375
2027	600,000	318,375	918,375
2028	600,000	299,625	899,625
2029	600,000	280,125	880,125
2030	600,000	260,250	860,250
2031	600,000	239,625	839,625
2032	600,000	218,250	818,250
2033	600,000	196,500	796,500
2034	600,000	174,375	774,375
2035	575,000	152,344	727,344
2036	575,000	130,781	705,781
2037	575,000	108,500	683,500
2038	575,000	85,500	660,500
2039	575,000	62,500	637,500
2040	575,000	39,500	614,500
2041	700,000	14,000	714,000
	<u>\$ 11,950,000</u>	<u>\$ 4,439,125</u>	<u>\$ 16,389,125</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2015A Contract Revenue Bonds (Road Facilities)--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 350,000	\$ 189,063	\$ 539,063
2023	350,000	172,218	522,218
2024	300,000	160,500	460,500
2025	300,000	151,500	451,500
2026	300,000	142,500	442,500
2027	300,000	133,500	433,500
2028	300,000	124,500	424,500
2029	300,000	115,500	415,500
2030	300,000	106,500	406,500
2031	300,000	97,500	397,500
2032	300,000	88,500	388,500
2033	300,000	79,500	379,500
2034	300,000	70,500	370,500
2035	300,000	61,500	361,500
2036	300,000	52,500	352,500
2037	300,000	43,500	343,500
2038	300,000	34,500	334,500
2039	300,000	25,500	325,500
2040	300,000	16,500	316,500
2041	200,000	9,000	209,000
2042	200,000	3,000	203,000
	<u>\$ 6,200,000</u>	<u>\$ 1,877,781</u>	<u>\$ 8,077,781</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2016 Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 400,000	\$ 218,750	\$ 618,750
2023	400,000	208,750	608,750
2024	400,000	200,750	600,750
2025	400,000	192,750	592,750
2026	400,000	184,750	584,750
2027	400,000	176,750	576,750
2028	400,000	168,500	568,500
2029	400,000	159,750	559,750
2030	400,000	150,750	550,750
2031	400,000	141,250	541,250
2032	400,000	131,250	531,250
2033	400,000	121,250	521,250
2034	400,000	111,250	511,250
2035	400,000	101,000	501,000
2036	400,000	90,250	490,250
2037	400,000	79,250	479,250
2038	500,000	66,875	566,875
2039	500,000	52,500	552,500
2040	500,000	37,500	537,500
2041	500,000	22,500	522,500
2042	500,000	7,500	507,500
	<u>\$ 8,900,000</u>	<u>\$ 2,623,875</u>	<u>\$ 11,523,875</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2017 Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 900,000	\$ 383,675	\$ 1,283,675
2023	900,000	356,675	1,256,675
2024	540,000	335,075	875,075
2025	540,000	318,875	858,875
2026	540,000	304,700	844,700
2027	540,000	291,875	831,875
2028	540,000	278,375	818,375
2029	540,000	264,200	804,200
2030	540,000	248,675	788,675
2031	540,000	232,475	772,475
2032	540,000	216,275	756,275
2033	540,000	200,075	740,075
2034	540,000	183,200	723,200
2035	540,000	165,651	705,651
2036	540,000	148,100	688,100
2037	540,000	130,212	670,212
2038	540,000	111,650	651,650
2039	540,000	92,750	632,750
2040	540,000	73,850	613,850
2041	540,000	54,950	594,950
2042	600,000	35,000	635,000
2043	700,000	12,250	712,250
	<u>\$ 12,820,000</u>	<u>\$ 4,438,563</u>	<u>\$ 17,258,563</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2017A Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 120,000	\$ 61,412	\$ 181,412
2023	130,000	58,913	188,913
2024	135,000	56,263	191,263
2025	140,000	53,513	193,513
2026	145,000	50,481	195,481
2027	150,000	47,162	197,162
2028	160,000	43,475	203,475
2029	170,000	39,138	209,138
2030	175,000	34,175	209,175
2031	180,000	28,850	208,850
2032	195,000	23,225	218,225
2033	200,000	17,300	217,300
2034	215,000	10,806	225,806
2035	225,000	3,656	228,656
	<u>\$ 2,340,000</u>	<u>\$ 528,369</u>	<u>\$ 2,868,369</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2017B Contract Revenue Bonds (Road Facilities)--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 340,000	\$ 217,719	\$ 557,719
2023	340,000	207,519	547,519
2024	340,000	199,018	539,018
2025	340,000	192,218	532,218
2026	340,000	184,993	524,993
2027	340,000	176,918	516,918
2028	340,000	168,419	508,419
2029	340,000	159,494	499,494
2030	340,000	149,719	489,719
2031	340,000	139,519	479,519
2032	335,000	129,394	464,394
2033	335,000	119,344	454,344
2034	335,000	109,084	444,084
2035	335,000	98,406	433,406
2036	335,000	87,519	422,519
2037	335,000	76,422	411,422
2038	335,000	65,116	400,116
2039	335,000	53,600	388,600
2040	335,000	41,875	376,875
2041	335,000	30,150	365,150
2042	335,000	18,216	353,216
2043	335,000	6,072	341,072
	<u>\$ 7,420,000</u>	<u>\$ 2,630,734</u>	<u>\$ 10,050,734</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2018 Contract Revenue Bonds (Road Facilities)--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 220,000	\$ 195,281	\$ 415,281
2023	220,000	184,281	404,281
2024	220,000	173,281	393,281
2025	220,000	164,481	384,481
2026	220,000	157,881	377,881
2027	220,000	151,144	371,144
2028	220,000	144,130	364,130
2029	220,000	136,706	356,706
2030	220,000	129,006	349,006
2031	225,000	120,938	345,938
2032	225,000	112,500	337,500
2033	225,000	104,063	329,063
2034	225,000	95,344	320,344
2035	225,000	86,344	311,344
2036	225,000	77,344	302,344
2037	225,000	68,344	293,344
2038	225,000	59,344	284,344
2039	225,000	50,344	275,344
2040	225,000	41,344	266,344
2041	225,000	32,344	257,344
2042	225,000	23,203	248,203
2043	225,000	13,922	238,922
2044	225,000	4,640	229,640
	<u>\$ 5,130,000</u>	<u>\$ 2,326,209</u>	<u>\$ 7,456,209</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2018A Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 925,000	\$ 796,656	\$ 1,721,656
2023	925,000	759,656	1,684,656
2024	925,000	722,656	1,647,656
2025	925,000	685,656	1,610,656
2026	925,000	653,281	1,578,281
2027	925,000	625,531	1,550,531
2028	925,000	597,203	1,522,203
2029	925,000	567,141	1,492,141
2030	925,000	535,344	1,460,344
2031	925,000	502,391	1,427,391
2032	925,000	468,281	1,393,281
2033	925,000	432,438	1,357,438
2034	925,000	395,438	1,320,438
2035	925,000	358,438	1,283,438
2036	925,000	321,438	1,246,438
2037	925,000	284,438	1,209,438
2038	925,000	247,437	1,172,437
2039	925,000	210,437	1,135,437
2040	925,000	173,437	1,098,437
2041	925,000	135,859	1,060,859
2042	925,000	97,703	1,022,703
2043	925,000	58,969	983,969
2044	925,000	19,656	944,656
	<u>\$ 21,275,000</u>	<u>\$ 9,649,484</u>	<u>\$ 30,924,484</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2019 Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2022	\$ 610,000	\$ 283,250	\$ 893,250
2023	630,000	270,850	900,850
2024	655,000	258,000	913,000
2025	680,000	244,650	924,650
2026	705,000	230,800	935,800
2027	730,000	216,450	946,450
2028	765,000	201,500	966,500
2029	795,000	185,900	980,900
2030	825,000	169,700	994,700
2031	860,000	152,850	1,012,850
2032	880,000	133,800	1,013,800
2033	920,000	109,550	1,029,550
2034	965,000	83,688	1,048,688
2035	1,005,000	59,062	1,064,062
2036	1,050,000	30,750	1,080,750
2037	500,000	7,500	507,500
	<u>\$ 12,575,000</u>	<u>\$ 2,638,300</u>	<u>\$ 15,213,300</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2019A Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 385,000	\$ 460,037	\$ 845,037
2023	405,000	448,187	853,187
2024	425,000	435,737	860,737
2025	450,000	422,612	872,612
2026	470,000	408,813	878,813
2027	495,000	396,812	891,812
2028	520,000	386,662	906,662
2029	545,000	376,011	921,011
2030	570,000	364,506	934,506
2031	600,000	351,700	951,700
2032	630,000	337,469	967,469
2033	660,000	322,150	982,150
2034	695,000	305,625	1,000,625
2035	730,000	287,813	1,017,813
2036	765,000	268,647	1,033,647
2037	805,000	248,042	1,053,042
2038	845,000	225,856	1,070,856
2039	885,000	202,069	1,087,069
2040	930,000	175,950	1,105,950
2041	975,000	147,375	1,122,375
2042	1,025,000	117,375	1,142,375
2043	1,080,000	85,800	1,165,800
2044	1,130,000	52,650	1,182,650
2045	1,190,000	17,852	1,207,852
	<u>\$ 17,210,000</u>	<u>\$ 6,845,750</u>	<u>\$ 24,055,750</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
Series 2020 Contract Revenue Bonds (Road Facilities)--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 665,000	\$ 350,588	\$ 1,015,588
2023	665,000	337,287	1,002,287
2024	665,000	323,988	988,988
2025	665,000	310,688	975,688
2026	665,000	297,388	962,388
2027	665,000	284,088	949,088
2028	665,000	270,788	935,788
2029	665,000	257,488	922,488
2030	665,000	244,188	909,188
2031	665,000	230,888	895,888
2032	665,000	217,588	882,588
2033	665,000	204,288	869,288
2034	665,000	190,988	855,988
2035	665,000	177,687	842,687
2036	665,000	164,387	829,387
2037	665,000	150,671	815,671
2038	665,000	136,540	801,540
2039	665,000	121,993	786,993
2040	665,000	107,031	772,031
2041	665,000	92,068	757,068
2042	665,000	76,690	741,690
2043	665,000	60,896	725,896
2044	700,000	44,250	744,250
2045	700,000	26,750	726,750
2046	720,000	9,000	729,000
	<u>\$ 16,750,000</u>	<u>\$ 4,688,206</u>	<u>\$ 21,438,206</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2020A Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2022	\$ 145,000	\$ 79,075	\$ 224,075
2023	155,000	74,575	229,575
2024	160,000	69,850	229,850
2025	165,000	64,975	229,975
2026	175,000	59,875	234,875
2027	185,000	54,475	239,475
2028	195,000	49,750	244,750
2029	200,000	45,800	245,800
2030	210,000	41,700	251,700
2031	215,000	37,450	252,450
2032	220,000	33,100	253,100
2033	235,000	28,550	263,550
2034	240,000	23,800	263,800
2035	255,000	18,850	273,850
2036	260,000	13,700	273,700
2037	275,000	8,350	283,350
2038	280,000	2,800	282,800
	<u>\$ 3,570,000</u>	<u>\$ 706,675</u>	<u>\$ 4,276,675</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2020B Contract Revenue Refunding Bonds (Road Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 380,000	\$ 217,513	\$ 597,513
2023	400,000	205,813	605,813
2024	415,000	193,588	608,588
2025	435,000	180,838	615,838
2026	455,000	167,488	622,488
2027	480,000	153,463	633,463
2028	500,000	141,263	641,263
2029	520,000	131,063	651,063
2030	535,000	120,512	655,512
2031	550,000	109,662	659,662
2032	570,000	98,462	668,462
2033	585,000	86,912	671,912
2034	610,000	74,962	684,962
2035	625,000	62,612	687,612
2036	650,000	49,862	699,862
2037	670,000	36,662	706,662
2038	690,000	22,631	712,631
2039	720,000	7,650	727,650
	<u>\$ 9,790,000</u>	<u>\$ 2,060,956</u>	<u>\$ 11,850,956</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2020C Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

<u>Due During Fiscal Years Ending</u>	<u>Principal Due December 1</u>	<u>Interest Due December 1, June 1</u>	<u>Total</u>
2022	\$ 300,000	\$ 342,938	\$ 642,938
2023	300,000	330,938	630,938
2024	300,000	318,938	618,938
2025	300,000	306,938	606,938
2026	300,000	294,938	594,938
2027	300,000	282,938	582,938
2028	300,000	273,937	573,937
2029	300,000	267,937	567,937
2030	385,000	261,087	646,087
2031	405,000	253,187	658,187
2032	425,000	244,887	669,887
2033	445,000	236,187	681,187
2034	465,000	226,797	691,797
2035	485,000	216,400	701,400
2036	510,000	204,888	714,888
2037	535,000	192,478	727,478
2038	560,000	179,125	739,125
2039	585,000	164,812	749,812
2040	900,000	146,250	1,046,250
2041	900,000	123,750	1,023,750
2042	900,000	101,250	1,001,250
2043	900,000	78,750	978,750
2044	900,000	56,250	956,250
2045	900,000	33,750	933,750
2046	900,000	11,250	911,250
	<u>\$ 13,500,000</u>	<u>\$ 5,150,600</u>	<u>\$ 18,650,600</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

Series 2021 Contract Revenue Bonds (Water, Sewer and Drainage Facilities)--by Years

September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ -	\$ 188,750	\$ 188,750
2023	225,000	222,000	447,000
2024	400,000	209,500	609,500
2025	400,000	193,500	593,500
2026	400,000	177,500	577,500
2027	400,000	163,500	563,500
2028	400,000	153,500	553,500
2029	400,000	145,500	545,500
2030	400,000	137,500	537,500
2031	400,000	129,500	529,500
2032	400,000	121,500	521,500
2033	400,000	113,500	513,500
2034	400,000	105,500	505,500
2035	400,000	97,500	497,500
2036	400,000	89,500	489,500
2037	400,000	81,500	481,500
2038	400,000	73,500	473,500
2039	400,000	65,500	465,500
2040	400,000	57,500	457,500
2041	400,000	49,250	449,250
2042	400,000	40,500	440,500
2043	400,000	31,500	431,500
2044	400,000	22,500	422,500
2045	400,000	13,500	413,500
2046	400,000	4,500	404,500
	<u>\$ 9,425,000</u>	<u>\$ 2,688,000</u>	<u>\$ 12,113,000</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169

TSI-5. Long-Term Debt Service Requirements

***Series 2021A Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities)--by Years
September 30, 2021***

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 25,000	\$ 200,120	\$ 225,120
2023	395,000	258,594	653,594
2024	420,000	242,294	662,294
2025	445,000	224,994	669,994
2026	470,000	206,694	676,694
2027	500,000	187,294	687,294
2028	525,000	166,794	691,794
2029	550,000	148,044	698,044
2030	575,000	131,169	706,169
2031	595,000	116,594	711,594
2032	615,000	104,493	719,493
2033	635,000	91,993	726,993
2034	650,000	79,143	729,143
2035	670,000	65,943	735,943
2036	690,000	52,343	742,343
2037	705,000	38,394	743,394
2038	730,000	23,588	753,588
2039	745,000	7,917	752,917
	<u>\$ 9,940,000</u>	<u>\$ 2,346,405</u>	<u>\$ 12,286,405</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 169
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due December 1	Interest Due December 1, June 1	Total
2022	\$ 6,940,000	\$ 4,882,152	\$ 11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027	7,535,000	3,904,478	11,439,478
2028	7,680,000	3,701,790	11,381,790
2029	7,815,000	3,501,225	11,316,225
2030	8,030,000	3,293,340	11,323,340
2031	8,185,000	3,078,623	11,263,623
2032	8,330,000	2,857,418	11,187,418
2033	8,500,000	2,625,344	11,125,344
2034	8,685,000	2,384,544	11,069,544
2035	8,840,000	2,138,550	10,978,550
2036	8,800,000	1,887,553	10,687,553
2037	8,395,000	1,638,807	10,033,807
2038	8,140,000	1,396,806	9,536,806
2039	8,000,000	1,156,140	9,156,140
2040	6,930,000	923,834	7,853,834
2041	6,365,000	711,246	7,076,246
2042	5,775,000	520,437	6,295,437
2043	5,230,000	348,159	5,578,159
2044	4,280,000	199,946	4,479,946
2045	3,190,000	91,852	3,281,852
2046	2,020,000	24,750	2,044,750
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

See accompanying auditor's report.

	Bond Issue			
	Series 2011A	Series 2012 Road	Series 2013	Series 2014 Road
Interest rate	5.00% - 5.25%	3.00% - 4.25%	3.00% - 5.00%	3.00% - 4.125%
Dates interest payable	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1
Maturity dates	12/1/16 to 12/1/20	12/1/17 to 12/1/20	12/1/17 to 12/1/21	12/1/17 to 12/1/39
Beginning bonds outstanding	\$ 110,000	\$ 310,000	\$ 10,435,000	\$ 7,870,000
Bonds issued				
Bonds refunded			(9,765,000)	
Bonds retired	(110,000)	(310,000)	(325,000)	(220,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ 7,650,000</u>
Interest paid during fiscal year	<u>\$ 2,750</u>	<u>\$ 4,650</u>	<u>\$ 575,149</u>	<u>\$ 295,775</u>
Paying agent's name and city				
Master District All Series	The Bank of New York Mellon Trust Company, N.A., Houston, Texas			

	Water, Sewer and Drainage Bonds	Road Bonds
Master District Contract Revenue Bond Authority:		
Amount Authorized by Voters	\$ 483,000,000	\$ 121,450,000
Amount Issued	(139,150,000)	(59,115,000)
Remaining To Be Issued	<u>\$ 343,850,000</u>	<u>\$ 62,335,000</u>

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

	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Internal District Unlimited Tax Bond Authority:			
Amount Authorized by Voters	\$ 48,748,000	\$ 23,212,000	\$ 10,556,000
Amount Issued			
Remaining To Be Issued	<u>\$ 48,748,000</u>	<u>\$ 23,212,000</u>	<u>\$ 10,556,000</u>

All unlimited tax bonds are secured with tax revenues imposed and collected by the District.

Debt Service Fund cash and investment balances as of September 30, 2021:	<u>\$ 19,589,284</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 9,432,114</u>

See accompanying auditor's report.

Bond Issue					
Series 2015	Series 2015A Road	Series 2016	Series 2017	Series 2017A Refunding	Series 2017B Road
2.00% - 4.00%	2.00% - 5.50%	2.00% - 3.00%	2.25% - 3.50%	2.00% - 3.25%	2.00% - 4.50%
12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1
12/1/16 to	12/1/16 to	12/1/17 to	12/1/18 to	12/1/20 to	12/1/18 to
12/1/40	12/1/41	12/1/41	12/1/42	12/1/34	12/1/42
\$ 12,550,000	\$ 6,550,000	\$ 9,300,000	\$ 13,720,000	\$ 2,455,000	\$ 7,760,000
(600,000)	(350,000)	(400,000)	(900,000)	(115,000)	(340,000)
\$ 11,950,000	\$ 6,200,000	\$ 8,900,000	\$ 12,820,000	\$ 2,340,000	\$ 7,420,000
\$ 417,375	\$ 208,313	\$ 230,750	\$ 410,675	\$ 63,763	\$ 230,469

	Bond Issue				
	Series 2018		Series 2019		Series 2020
	Road	Series 2018A	Refunding	Series 2019A	Road
Interest rate	3.00% - 5.50%	3.00% - 5.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 2.50%
Dates interest payable	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1
Maturity dates	12/1/19 to 12/1/43	12/1/19 to 12/1/43	12/1/19 to 12/1/36	12/1/20 to 12/1/44	12/1/21 to 12/1/45
Beginning bonds outstanding	\$ 5,350,000	\$ 22,200,000	\$ 13,160,000	\$ 17,580,000	\$ 16,750,000
Bonds issued					
Bonds refunded					
Bonds retired	(220,000)	(925,000)	(585,000)	(370,000)	
Ending bonds outstanding	<u>\$ 5,130,000</u>	<u>\$ 21,275,000</u>	<u>\$ 12,575,000</u>	<u>\$ 17,210,000</u>	<u>\$ 16,750,000</u>
Interest paid during fiscal year	<u>\$ 206,831</u>	<u>\$ 835,968</u>	<u>\$ 295,200</u>	<u>\$ 471,362</u>	<u>\$ 297,698</u>

See accompanying auditor's report.

Bond Issue					
Series 2020A Refunding	Series 2020B Road Refunding	Series 2020C	Series 2021	Series 2021A Refunding	Totals
2.00% - 3.00%	2.00% - 3.00%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	
12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	12/1; 6/1	
12/1/20 to	12/1/20 to	12/1/21 to	12/1/22 to	12/1/21 to	
12/1/37	12/1/38	12/1/45	12/1/45	12/1/38	
\$ 3,630,000	\$ 9,910,000	\$ -	\$ -	\$ -	\$ 159,640,000
		13,500,000	9,425,000	9,940,000	32,865,000
					(9,765,000)
(60,000)	(120,000)				(5,950,000)
\$ 3,570,000	\$ 9,790,000	\$ 13,500,000	\$ 9,425,000	\$ 9,940,000	\$ 176,790,000
\$ 61,388	\$ 168,309	\$ 174,469	\$ -	\$ -	\$ 4,950,894

Fort Bend County Municipal Utility District No. 169

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 41,939	\$ 32,485	\$ 44,687	\$ 51,575	\$ 41,036
Investment earnings	4	10	11	13	11
Total Revenues	41,943	32,495	44,698	51,588	41,047
Expenditures					
Operating and administrative					
Professional fees	44,331	35,992	37,136	29,833	99,134
Contracted services	5,835	5,955	5,790	12,472	14,006
Administrative	13,186	13,595	10,182	10,530	11,852
Total Expenditures	63,352	55,542	53,108	52,835	124,992
Revenues Under Expenditures	\$ (21,409)	\$ (23,047)	\$ (8,410)	\$ (1,247)	\$ (83,945)

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
100%	100%	100%	100%	100%
*	*	*	*	*
100%	100%	100%	100%	100%
106%	111%	83%	58%	242%
14%	18%	13%	24%	34%
31%	42%	23%	20%	29%
151%	171%	119%	102%	305%
(51%)	(71%)	(19%)	(2%)	(205%)

Fort Bend County Municipal Utility District No. 169

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

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 63,788	\$ 50,729	\$ 61,967	\$ 55,383	\$ 43,946
Contract tax from participants	12,450,588	10,474,474	9,025,849	8,120,412	7,115,043
Penalties and interest	12	2			
Accrued interest on bonds sold					17,443
Miscellaneous	100				
Investment earnings	1,462	95,279	232,534	112,197	24,239
Total Revenues	12,515,950	10,620,484	9,320,350	8,287,992	7,200,671
Expenditures					
Tax collection services	10,527	8,201	7,411	71	6
Debt service					
Principal	5,950,000	5,120,000	3,870,000	3,105,000	2,245,000
Payment to refunded bond escrow agent		44,943			977,732
Interest and fees	4,950,178	4,745,530	4,632,761	3,732,440	3,313,663
Debt issuance costs	358,107	555,380	524,885		172,964
Total Expenditures	11,268,812	10,474,054	9,035,057	6,837,511	6,709,365
Revenues Over Expenditures	\$ 1,247,138	\$ 146,430	\$ 285,293	\$ 1,450,481	\$ 491,306

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
1%	*	1%	1%	1%
99%	99%	97%	98%	99%
*	*			
				*
*				
*	1%	2%	1%	*
100%	100%	100%	100%	100%
*	*	*	*	*
48%	48%	42%	37%	31%
	*			14%
40%	45%	50%	45%	46%
3%	5%	6%		2%
91%	98%	98%	82%	93%
9%	2%	2%	18%	7%

Fort Bend County Municipal Utility District No. 169
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): September 2, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Arden J. Morley	05/20 - 05/24	\$ 3,450	\$ -	President
William H. Yost	06/18 - 05/22	1,800		Vice President
Gary Swafford	06/18 - 05/22	2,250		Secretary
Kenneth Martinec	08/21 - 05/22			Assistant Secretary
John J. Preston	05/20 - 05/24	2,100		Assistant Vice President
David W. D'Andrea	06/18 - 08/21	1,950		Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	08/30/07			Attorney
<i>General legal fees</i>		\$ 237,776		
<i>Bond counsel</i>		666,627		
F. Matuska, Inc.	02/01/10	22,155		Bookkeeper
Assessments of the Southwest Inc.	10/01/07	7,450		Tax Collector
Fort Bend Central Appraisal District	Legislation	708		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LP	03/03/08			Delinquent Tax Attorney
Brown & Gay Engineers Inc.	10/01/07	338,253		Engineer
McGrath & Co, PLLC	10/11/10	35,100		Auditor
Masterson Advisors, LLC	05/01/18	469,056		Financial Advisor

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

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2021

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 170

Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 170
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 170, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Houston, Texas
January 4, 2022

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 170 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2021, was negative \$23,690,119. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 1,035,327	\$ 1,113,269
Capital assets	880,373	909,719
Total assets	1,915,700	2,022,988
Current liabilities	442,189	436,825
Long-term liabilities	25,163,630	19,539,454
Total liabilities	25,605,819	19,976,279
Net position		
Net investment in capital assets	(208,816)	(195,168)
Restricted	633,373	483,085
Unrestricted	(24,114,676)	(18,241,208)
Total net position	\$ (23,690,119)	\$ (17,953,291)

Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021

The total net position of the District decreased during the current fiscal year by \$5,736,828. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 3,623,127	\$ 2,842,254
City of Fulshear annual payment	148,384	113,596
Other	26,276	15,779
Total revenues	<u>3,797,787</u>	<u>2,971,629</u>
Expenses		
Operating and administrative	857,084	693,103
Debt interest and fees	610,878	540,922
Developer interest	93,397	93,020
Debt issuance costs	264,451	264,785
Contractual obligation	1,793,621	1,414,055
Amortization	29,346	29,346
Total expenses	<u>3,648,777</u>	<u>3,035,231</u>
Change in net position before other item	149,010	(63,602)
Other item		
Transfers to other governments	<u>(5,885,838)</u>	<u>(4,359,590)</u>
Change in net position	(5,736,828)	(4,423,192)
Net position, beginning of year	<u>(17,953,291)</u>	<u>(13,530,099)</u>
Net position, end of year	<u>\$ (23,690,119)</u>	<u>\$ (17,953,291)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2021, were \$1,023,748, which consists of \$226,073 in the General Fund, \$674,048 in the Debt Service Fund, and \$123,627 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 236,001</u>	<u>\$ 162,201</u>
Total liabilities	\$ 9,863	\$ 15,617
Total deferred inflows	65	61
Total fund balance	226,073	146,523
Total liabilities, deferred inflows and fund balance	<u>\$ 236,001</u>	<u>\$ 162,201</u>

***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021***

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

	2021	2020
Total revenues	\$ 816,979	\$ 647,550
Total expenditures	(737,429)	(618,188)
Revenues over expenditures	<u>\$ 79,550</u>	<u>\$ 29,362</u>

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 675,699</u>	<u>\$ 522,888</u>
Total liabilities	\$ 1,419	\$ 925
Total deferred inflows	232	3,802
Total fund balance	674,048	518,161
Total liabilities, deferred inflows and fund balance	<u>\$ 675,699</u>	<u>\$ 522,888</u>

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

	2021	2020
Total revenues	\$ 2,984,256	\$ 2,316,641
Total expenditures	(2,828,369)	(2,322,483)
Revenues over/(under) expenditures	<u>\$ 155,887</u>	<u>\$ (5,842)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear annual payment. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contractual obligations to Fort Bend County Municipal Utility District No. 169.

***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 123,627</u>	<u>\$ 428,180</u>
Total fund balance	<u>\$ 123,627</u>	<u>\$ 428,180</u>

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

	2021	2020
Total revenues	\$ 117	\$ 5,068
Total expenditures	<u>(3,304,670)</u>	<u>(1,360,123)</u>
Revenues under expenditures	(3,304,553)	(1,355,055)
Other changes in fund balance	3,000,000	1,040,000
Net change in fund balance	<u>\$ (304,553)</u>	<u>\$ (315,055)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds in the current year and proceeds from the issuance of its Series 2019 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$58,250 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021

Capital assets held by the District at September 30, 2021 and 2020 are summarized as follows:

	2021	2020
Capital assets being amortized		
Interest in regional park facilities	\$ 997,757	\$ 997,757
Less accumulated amortization	(117,384)	(88,038)
Capital assets, net	<u>\$ 880,373</u>	<u>\$ 909,719</u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developers are reimbursed. For the year ended September 30, 2021, capital assets in the amount of \$5,885,838 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2021, the District owes approximately \$8,554,710 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$1,775,831 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At September 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2014	\$ 3,950,000	\$ 4,075,000
2016	3,580,000	3,740,000
2017 Park	1,200,000	1,260,000
2018	2,360,000	2,400,000
2019	3,000,000	3,000,000
2020	3,000,000	
	<u>\$ 17,090,000</u>	<u>\$ 14,475,000</u>

During the current year, the District issued \$3,000,000 in unlimited tax bonds. At September 30, 2021, the District had \$108,940,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding of said bonds; \$68,525,000 for parks and recreational facilities and refunding of said bonds; \$50,400,000 for road improvements and refunding of said bonds.

***Fort Bend County Municipal Utility District No. 170
Management's Discussion and Analysis
September 30, 2021***

Next Year's Budget

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

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 816,979	\$ 1,007,000
Total expenditures	<u>(737,429)</u>	<u>(818,250)</u>
Revenues over expenditures	79,550	188,750
Beginning fund balance	146,523	226,073
Ending fund balance	<u>\$ 226,073</u>	<u>\$ 414,823</u>

Property Taxes

The District's property tax base increased approximately \$81,202,000 for the 2021 tax year from \$270,016,230 to \$351,218,174. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.29338 per \$100 of assessed value, a debt service tax rate of \$0.35 per \$100 of assessed value, and a contract tax rate of \$0.695 for a total combined tax rate of \$1.33838 per \$100. Tax rates for the 2020 tax year were \$0.29338 per \$100 for maintenance and operations, \$0.36 per \$100 for debt service and a contract tax rate of \$0.685 for a combined total of \$1.33838 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 170
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 26,797	\$ 26,085	\$ -	\$ 52,882	\$ -	\$ 52,882
Investments	207,350	651,171	123,627	982,148		982,148
Taxes receivable	65	232		297		297
Internal balances	1,789	(1,789)				
Capital assets, net					880,373	880,373
Total Assets	<u>\$ 236,001</u>	<u>\$ 675,699</u>	<u>\$ 123,627</u>	<u>\$ 1,035,327</u>	<u>880,373</u>	<u>1,915,700</u>
Liabilities						
Accounts payable	\$ 9,565	\$ -	\$ -	\$ 9,565		9,565
Other payables	298	1,419		1,717		1,717
Accrued interest payable					40,907	40,907
Due to developers					8,554,710	8,554,710
Long-term debt						
Due within one year					390,000	390,000
Due after one year					16,608,920	16,608,920
Total Liabilities	<u>9,863</u>	<u>1,419</u>		<u>11,282</u>	<u>25,594,537</u>	<u>25,605,819</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>65</u>	<u>232</u>		<u>297</u>	<u>(297)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		674,048	123,627	797,675	(797,675)	
Unassigned	<u>226,073</u>			<u>226,073</u>	<u>(226,073)</u>	
Total Fund Balances	<u>226,073</u>	<u>674,048</u>	<u>123,627</u>	<u>1,023,748</u>	<u>(1,023,748)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 236,001</u>	<u>\$ 675,699</u>	<u>\$ 123,627</u>	<u>\$ 1,035,327</u>		
Net Position						
Net investment in capital assets					(208,816)	(208,816)
Restricted for debt service					633,373	633,373
Unrestricted					(24,114,676)	(24,114,676)
Total Net Position					<u>\$ (23,690,119)</u>	<u>\$ (23,690,119)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 170**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances****For the Year Ended September 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 792,121	\$ 2,821,615	\$ -	\$ 3,613,736	\$ 30	\$ 3,613,766
Penalties and interest		9,361		9,361		9,361
City of Fulshear annual payment		151,979		151,979	(3,595)	148,384
Miscellaneous	24,740	270		25,010		25,010
Investment earnings	118	1,031	117	1,266		1,266
Total Revenues	816,979	2,984,256	117	3,801,352	(3,565)	3,797,787
Expenditures/Expenses						
Operating and administrative						
Professional fees	90,524		70,100	160,624		160,624
Contracted services	11,440	45,033		56,473		56,473
Master District fees	615,750			615,750		615,750
Administrative	19,715	4,522		24,237		24,237
Other						
Capital outlay			2,876,722	2,876,722	(2,876,722)	
Debt service						
Principal		385,000		385,000	(385,000)	
Interest and fees		600,193		600,193	10,685	610,878
Developer interest			93,397	93,397		93,397
Debt issuance costs			264,451	264,451		264,451
Contractual obligation		1,793,621		1,793,621		1,793,621
Amortization					29,346	29,346
Total Expenditures	737,429	2,828,369	3,304,670	6,870,468	(3,221,691)	3,648,777
Revenues Over (Under)						
Expenditures/Expenses	79,550	155,887	(3,304,553)	(3,069,116)	3,218,126	149,010
Other Financing Sources						
Proceeds from sale of bonds			3,000,000	3,000,000	(3,000,000)	
Other Items						
Transfers to other governments					(5,885,838)	(5,885,838)
Net Change in Fund Balances	79,550	155,887	(304,553)	(69,116)	69,116	
Change in Net Position					(5,736,828)	(5,736,828)
Fund Balance/Net Position						
Beginning of the year	146,523	518,161	428,180	1,092,864	(19,046,155)	(17,953,291)
End of the year	\$ 226,073	\$ 674,048	\$ 123,627	\$ 1,023,748	\$ (24,713,867)	\$ (23,690,119)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 170 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 22, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on August 7, 2008, and the first bonds were issued on December 4, 2014.

The District’s primary activities include the provision of water, sewer, drainage, recreational, and road facilities. As further discussed in Note 10, the District transfers certain of these facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt and the District’s contractual obligation to Fort Bend County Municipal Utility District No. 169 (the “Master District”). The primary sources of revenue for debt service are property taxes and City of Fulshear annual payment. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and the Master District regional park facilities.

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Use of Restricted Resources

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

Interfund Activity

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

Capital Assets

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

The District's interest in regional park facilities is amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 1,023,748
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 997,757	
Less accumulated amortization	<u>(117,384)</u>	
Change due to capital assets		880,373

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

Bonds payable, net	(16,998,920)	
Interest payable on bonds	<u>(40,907)</u>	
Change due to long-term debt		(17,039,827)

Amounts due to the District's developers for prefunded construction is recorded as a liability in the <i>Statement of Net Position</i> .	(8,554,710)
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Property taxes receivable that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.

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Total net position - governmental activities	<u><u>\$ (23,690,119)</u></u>
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Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

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

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

Net change in fund balances - total governmental funds	\$	(69,116)
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for:

Property taxes	\$	30	
City of Fulshear annual payment		(3,595)	
			(3,565)

Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the *Statement of Net Position*. In the *Statement of Activities*, the cost of connection fees paid to the Master District are charged to expense over the remaining life of the contract.

Capital outlays	2,876,722	
Amortization expense	(29,346)	
		2,847,376

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

Issuance of long term debt	(3,000,000)	
Principal payments	385,000	
Interest expense accrual	(10,685)	
		(2,625,685)

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements. However, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

Change in net position of governmental activities	\$	(5,736,828)
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Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 207,350	AAAm	37 days
	Debt Service	651,171		
	Capital Projects	123,627		
		<u>\$ 982,148</u>		

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 1,789	Maintenance tax collections not remitted as of year end

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

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2021, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 997,757	\$ -	\$ 997,757
Less accumulated amortization	(88,038)	(29,346)	(117,384)
Capital assets, net	<u>\$ 909,719</u>	<u>\$ (29,346)</u>	<u>\$ 880,373</u>

Amortization expense for the current year was \$29,346.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	\$ 5,545,594
Developer funded construction and adjustments	5,885,838
Developer reimbursements	(2,876,722)
Due to developers, end of year	<u>\$ 8,554,710</u>

In addition, the District will owe the developers approximately \$1,775,831, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Water, sewer, and drainage facilities to serve:			
Bonterra at Cross Creek Ranch, Section 12	\$ 524,855	\$ 230,936	\$ 293,919
Bonterra at Cross Creek Ranch, Section 9	1,135,046		1,135,046
Lift Station No. 6 upgrade	115,930		115,930
	<u>\$ 1,775,831</u>	<u>\$ 230,936</u>	<u>\$ 1,544,895</u>

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 17,090,000
Unamortized discounts	(91,080)
	<u>\$ 16,998,920</u>
Due within one year	<u>\$ 390,000</u>

The District's bonds payable at September 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 3,950,000	\$ 4,600,000	2.00% - 4.20%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2016	3,580,000	4,200,000	2.00% - 4.30%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017 Park	1,200,000	1,335,000	2.00% - 4.00%	September 1, 2020/2041	March 1, September 1	September 1, 2024
2018	2,360,000	2,400,000	4.00% - 5.50%	September 1, 2021/2043	March 1, September 1	September 1, 2024
2019	3,000,000	3,000,000	2.00% - 4.00%	September 1, 2023/2044	March 1, September 1	September 1, 2025
2020	3,000,000	3,000,000	2.125% - 4.625%	September 1, 2023/2045	March 1, September 1	September 1, 2026
	<u>\$ 17,090,000</u>					

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

At September 30, 2021, the District had authorized but unissued bonds in the amount of \$108,940,000 for water, sewer and drainage facilities and refunding of said bonds; \$68,525,000 for park and recreational facilities and refunding of said bonds; and \$50,400,000 for road improvements and refunding of said bonds.

On November 10, 2020, the District issued its \$3,000,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 2.726716%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt (continued)

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

Bonds payable, beginning of year	\$	14,475,000
Bonds issued		3,000,000
Bonds retired		(385,000)
Bonds payable, end of year	\$	<u>17,090,000</u>

As of September 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 390,000	\$ 603,982	\$ 993,982
2023	500,000	592,307	1,092,307
2024	510,000	575,145	1,085,145
2025	520,000	557,087	1,077,087
2026	535,000	538,022	1,073,022
2027	545,000	518,564	1,063,564
2028	560,000	499,707	1,059,707
2029	570,000	479,533	1,049,533
2030	585,000	458,695	1,043,695
2031	605,000	437,919	1,042,919
2032	630,000	415,871	1,045,871
2033	655,000	392,495	1,047,495
2034	675,000	368,187	1,043,187
2035	695,000	343,153	1,038,153
2036	720,000	316,946	1,036,946
2037	750,000	289,647	1,039,647
2038	785,000	260,630	1,045,630
2039	825,000	230,191	1,055,191
2040	935,000	197,982	1,132,982
2041	945,000	164,713	1,109,713
2042	980,000	130,963	1,110,963
2043	1,025,000	96,313	1,121,313
2044	1,100,000	59,438	1,159,438
2045	1,050,000	27,563	1,077,563
	<u>\$ 17,090,000</u>	<u>\$ 8,555,053</u>	<u>\$ 25,645,053</u>

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 8 – Property Taxes

On November 3, 2009, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.33838 per \$100 of assessed value, of which \$0.29338 was allocated to maintenance and operations, \$0.36 was allocated to debt service and \$0.685 was allocated to contract tax.. The resulting tax levy was \$3,613,843 on the adjusted taxable value of \$270,016,230.

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the "City"), the District transfers certain facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended September 30, 2021, the District reported transfers to other governments in the amount of \$5,885,838 for projects completed and transferred to the City.

Note 10 – Utility Agreement with the City of Fulshear

On November 11, 2009, the District entered into a Utility Agreement, as subsequently amended, (the "Utility Agreement") with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the "System") to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement terminates November 11, 2045, unless otherwise previously terminated pursuant to the terms of the Utility Agreement. The City establishes water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City. The City also levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

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

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2045, (the “Annual Payment”); provided, however the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities as described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. For the fiscal year ended September 30, 2021, the District recognized \$148,384 for the Annual Payment.

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

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

Note 11 – Master District

On November 11, 2009, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 in its capacity as Master District (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to, or accepted by, the City of Fulshear (the “City”) pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$615,750 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 11 – Master District (continued)

The Master District finances park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges are calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District is obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless certain financial conditions are met. During the current year, the District did not pay any park construction charges to the Master District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2020 tax year, the District's pro rata share is 14.40%. The District levied a contract tax rate of \$0.685 per \$100 of assessed valuation and paid \$1,793,621 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2021, the Master District has \$176,790,000 contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2022	\$ 6,940,000	\$ 4,882,152	11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027 - 2031	39,245,000	17,479,456	56,724,456
2032 - 2036	43,155,000	11,893,409	55,048,409
2037 - 2041	37,830,000	5,826,833	43,656,833
2042 - 2046	20,495,000	1,185,144	21,680,144
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

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

Fort Bend County Municipal Utility District No. 170
Notes to Financial Statements
September 30, 2021

Note 12 – Risk Management

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

Note 13 – Subsequent Events

Issuance of Unlimited Tax Bonds

On December 8, 2021, the District issued its \$5,000,000 Series 2021 Unlimited Tax Bonds at a net effective rate of 2.826344%. Proceeds from the bonds were used to reimburse the District's developers for infrastructure improvements in the District.

Master District Debt Issuances

On November 4, 2021, the Master District issued its \$14,000,000 Series 2021B Contract Revenue Bonds (Road Facilities) at a net effective rate of 2.567654%. Proceeds from the bonds were used to reimburse the developer for road improvements constructed to serve the Master District service area.

On December 14, 2021, the Master District issued its \$3,370,000 Series 2021 Bond Anticipation Note ("BAN") at a net effective rate of 0.99%, which is due on December 13, 2022. The Master District intends to pay this BAN with proceeds from the issuance of contract revenue bonds.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 170
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 777,200	\$ 792,121	\$ 14,921
Miscellaneous		24,740	24,740
Investment earnings	2,500	118	(2,382)
Total Revenues	<u>779,700</u>	<u>816,979</u>	<u>37,279</u>
Expenditures			
Operating and administrative			
Professional fees	97,000	90,524	6,476
Contracted services	12,000	11,440	560
Master District fees	630,210	615,750	14,460
Administrative	19,190	19,715	(525)
Total Expenditures	<u>758,400</u>	<u>737,429</u>	<u>20,971</u>
Revenues Over Expenditures	21,300	79,550	58,250
Fund Balance			
Beginning of the year	146,523	146,523	
End of the year	<u>\$ 167,823</u>	<u>\$ 226,073</u>	<u>\$ 58,250</u>

Fort Bend County Municipal Utility District No. 170
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 170
TSI-1. Services and Rates
September 30, 2021

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Roads	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)			
<input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer facilities accepted by the City of Fulshear for operation and maintenance.</u>			

2. Retail Service Providers N/A

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 170
TSI-1. Services and Rates
September 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Fulshear

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2021

Professional fees	
Legal	\$ 61,854
Audit	12,000
Engineering	16,670
	<u>90,524</u>
Contracted services	
Bookkeeping	<u>11,440</u>
Master District fees	<u>615,750</u>
Administrative	
Directors fees	10,800
Printing and office supplies	1,877
Insurance	4,669
Other	2,369
	<u>19,715</u>
Total expenditures	<u>\$ 737,429</u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-3. Investments
September 30, 2021

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 207,350
Debt Service			
TexPool	Variable	N/A	402,732
TexPool	Variable	N/A	39,522
TexPool	Variable	N/A	208,917
			<u>651,171</u>
Capital Projects			
TexPool	Variable	N/A	78,025
TexPool	Variable	N/A	45,602
			<u>123,627</u>
Total - All Funds			<u><u>\$ 982,148</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-4. Taxes Levied and Receivable
September 30, 2021

	Maintenance Taxes	Contract Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 61	\$ 133	\$ 74	\$ 268
Adjustments to prior year tax levies	(48)	(105)	(58)	(211)
Adjusted Receivable	13	28	16	57
2020 Original Tax Levy	786,425	1,836,189	965,004	3,587,618
Adjustments	5,749	13,422	7,054	26,225
Adjusted Tax Levy	792,174	1,849,611	972,058	3,613,843
Total to be accounted for	792,187	1,849,639	972,074	3,613,900
Tax collections				
Current year	792,109	1,849,459	971,978	3,613,546
Prior years	13	28	16	57
Total Collections	792,122	1,849,487	971,994	3,613,603
Taxes Receivable, End of Year	\$ 65	\$ 152	\$ 80	\$ 297
Taxes Receivable, By Years				
2020	\$ 65	\$ 152	\$ 80	\$ 297
	2020	2019	2018	2017
Property Valuations				
Land	\$ 83,824,510	\$ 71,552,230	\$ 63,996,330	\$ 51,185,200
Improvements	192,318,340	142,879,180	108,035,720	74,628,170
Personal Property	1,385,810	1,455,570	1,317,980	1,198,460
Exemptions	(7,512,430)	(4,829,956)	(4,338,915)	(3,063,079)
Total Property Valuations	\$ 270,016,230	\$ 211,057,024	\$ 169,011,115	\$ 123,948,751
Tax Rates per \$100 Valuation				
Maintenance tax rates	\$ 0.29338	\$ 0.30588	\$ 0.29838	\$ 0.24720
Contract tax rates	0.68500	0.66500	0.67250	0.69500
Debt service tax rates	0.36000	0.36750	0.36750	0.40000
Total Tax Rates per \$100 Valuation	\$ 1.33838	\$ 1.33838	\$ 1.33838	\$ 1.34220
Adjusted Tax Levy	\$ 3,613,843	\$ 2,824,745	\$ 2,262,011	\$ 1,663,640
Percentage of Taxes Collected to Taxes Levied ***	99.99%	100.00%	100.00%	100.00%

* Maximum maintenance tax rate approved by voters for water,
wastewater, drainage and recreational facilities: \$1.50 on November 3, 2009

** Maximum maintenance tax rate approved by voters for road facilities: \$0.25 on November 3, 2009

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 130,000	\$ 150,889	\$ 280,889
2023	140,000	147,314	287,314
2024	145,000	143,114	288,114
2025	155,000	138,764	293,764
2026	165,000	133,726	298,726
2027	175,000	127,951	302,951
2028	185,000	121,826	306,826
2029	195,000	115,120	310,120
2030	205,000	107,808	312,808
2031	215,000	100,120	315,120
2032	230,000	91,520	321,520
2033	240,000	82,320	322,320
2034	255,000	72,720	327,720
2035	270,000	62,520	332,520
2036	285,000	51,720	336,720
2037	300,000	40,320	340,320
2038	320,000	27,720	347,720
2039	340,000	14,280	354,280
	<u>\$ 3,950,000</u>	<u>\$ 1,729,752</u>	<u>\$ 5,679,752</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 160,000	\$ 141,620	\$ 301,620
2023	160,000	137,220	297,220
2024	160,000	132,420	292,420
2025	160,000	127,300	287,300
2026	160,000	121,860	281,860
2027	160,000	116,100	276,100
2028	160,000	110,100	270,100
2029	160,000	103,700	263,700
2030	160,000	97,300	257,300
2031	160,000	90,900	250,900
2032	160,000	84,500	244,500
2033	160,000	77,780	237,780
2034	160,000	71,060	231,060
2035	160,000	64,340	224,340
2036	160,000	57,620	217,620
2037	160,000	50,740	210,740
2038	160,000	43,860	203,860
2039	160,000	36,980	196,980
2040	350,000	30,100	380,100
2041	350,000	15,050	365,050
	<u>\$ 3,580,000</u>	<u>\$ 1,710,550</u>	<u>\$ 5,290,550</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2017 Park--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 60,000	\$ 42,360	\$ 102,360
2023	60,000	40,860	100,860
2024	60,000	39,210	99,210
2025	60,000	37,410	97,410
2026	60,000	35,610	95,610
2027	60,000	33,750	93,750
2028	60,000	31,830	91,830
2029	60,000	29,850	89,850
2030	60,000	27,810	87,810
2031	60,000	25,710	85,710
2032	60,000	23,550	83,550
2033	60,000	21,300	81,300
2034	60,000	19,050	79,050
2035	60,000	16,800	76,800
2036	60,000	14,400	74,400
2037	60,000	12,000	72,000
2038	60,000	9,600	69,600
2039	60,000	7,200	67,200
2040	60,000	4,800	64,800
2041	60,000	2,400	62,400
	<u>\$ 1,200,000</u>	<u>\$ 475,500</u>	<u>\$ 1,675,500</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 40,000	\$ 103,313	\$ 143,313
2023	40,000	101,113	141,113
2024	45,000	98,913	143,913
2025	45,000	96,438	141,438
2026	50,000	93,963	143,963
2027	50,000	91,213	141,213
2028	55,000	88,463	143,463
2029	55,000	85,438	140,438
2030	60,000	82,414	142,414
2031	60,000	80,014	140,014
2032	65,000	77,613	142,613
2033	70,000	75,013	145,013
2034	70,000	72,212	142,212
2035	75,000	69,412	144,412
2036	80,000	66,412	146,412
2037	80,000	63,212	143,212
2038	85,000	60,012	145,012
2039	90,000	56,506	146,506
2040	95,000	52,794	147,794
2041	100,000	48,875	148,875
2042	500,000	44,625	544,625
2043	550,000	23,375	573,375
	<u>\$ 2,360,000</u>	<u>\$ 1,631,343</u>	<u>\$ 3,991,343</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ -	\$ 86,425	\$ 86,425
2023	50,000	86,425	136,425
2024	50,000	84,425	134,425
2025	50,000	82,425	132,425
2026	50,000	80,425	130,425
2027	50,000	79,425	129,425
2028	50,000	78,425	128,425
2029	50,000	77,425	127,425
2030	50,000	76,425	126,425
2031	60,000	75,300	135,300
2032	65,000	73,875	138,875
2033	75,000	72,332	147,332
2034	80,000	70,456	150,456
2035	80,000	68,456	148,456
2036	85,000	66,356	151,356
2037	100,000	64,125	164,125
2038	110,000	61,375	171,375
2039	125,000	58,350	183,350
2040	230,000	54,600	284,600
2041	235,000	47,700	282,700
2042	280,000	40,650	320,650
2043	275,000	32,250	307,250
2044	800,000	24,000	824,000
	<u>\$ 3,000,000</u>	<u>\$ 1,541,650</u>	<u>\$ 4,541,650</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ -	\$ 79,375	\$ 79,375
2023	50,000	79,375	129,375
2024	50,000	77,063	127,063
2025	50,000	74,750	124,750
2026	50,000	72,438	122,438
2027	50,000	70,125	120,125
2028	50,000	69,063	119,063
2029	50,000	68,000	118,000
2030	50,000	66,938	116,938
2031	50,000	65,875	115,875
2032	50,000	64,813	114,813
2033	50,000	63,750	113,750
2034	50,000	62,689	112,689
2035	50,000	61,625	111,625
2036	50,000	60,438	110,438
2037	50,000	59,250	109,250
2038	50,000	58,063	108,063
2039	50,000	56,875	106,875
2040	200,000	55,688	255,688
2041	200,000	50,688	250,688
2042	200,000	45,688	245,688
2043	200,000	40,688	240,688
2044	300,000	35,438	335,438
2045	1,050,000	27,563	1,077,563
	<u>\$ 3,000,000</u>	<u>\$ 1,466,258</u>	<u>\$ 4,466,258</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 390,000	\$ 603,982	\$ 993,982
2023	500,000	592,307	1,092,307
2024	510,000	575,145	1,085,145
2025	520,000	557,087	1,077,087
2026	535,000	538,022	1,073,022
2027	545,000	518,564	1,063,564
2028	560,000	499,707	1,059,707
2029	570,000	479,533	1,049,533
2030	585,000	458,695	1,043,695
2031	605,000	437,919	1,042,919
2032	630,000	415,871	1,045,871
2033	655,000	392,495	1,047,495
2034	675,000	368,187	1,043,187
2035	695,000	343,153	1,038,153
2036	720,000	316,946	1,036,946
2037	750,000	289,647	1,039,647
2038	785,000	260,630	1,045,630
2039	825,000	230,191	1,055,191
2040	935,000	197,982	1,132,982
2041	945,000	164,713	1,109,713
2042	980,000	130,963	1,110,963
2043	1,025,000	96,313	1,121,313
2044	1,100,000	59,438	1,159,438
2045	1,050,000	27,563	1,077,563
	<u>\$ 17,090,000</u>	<u>\$ 8,555,053</u>	<u>\$ 25,645,053</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 170
TSI-6. Change in Long-Term Bonded Debt
September 30, 2021

	Bond Issue			
	Series 2014	Series 2016	Series 2017 Park	Series 2018
Interest rate	2.00% - 4.20%	2.00% - 4.30%	2.00% - 4.00%	4.00% - 5.50%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/16 - 9/1/39	9/1/18 - 9/1/41	9/1/20 - 9/1/41	9/1/21 - 9/1/43
Beginning bonds outstanding	\$ 4,075,000	\$ 3,740,000	\$ 1,260,000	\$ 2,400,000
Bonds issued				
Bonds retired	<u>(125,000)</u>	<u>(160,000)</u>	<u>(60,000)</u>	<u>(40,000)</u>
Ending bonds outstanding	<u>\$ 3,950,000</u>	<u>\$ 3,580,000</u>	<u>\$ 1,200,000</u>	<u>\$ 2,360,000</u>
Interest paid during fiscal year	<u>\$ 154,014</u>	<u>\$ 145,620</u>	<u>\$ 43,710</u>	<u>\$ 105,513</u>
Paying agent's name and city All Series	<u>The Bank Of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	
Amount Authorized by Voters	\$ 126,140,000	\$ 69,860,000	\$ 50,400,000	
Amount Issued	<u>(17,200,000)</u>	<u>(1,335,000)</u>		
Remaining To Be Issued	<u>\$ 108,940,000</u>	<u>\$ 68,525,000</u>	<u>\$ 50,400,000</u>	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of September 30, 2021:	<u>\$ 677,256</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 1,115,002</u>

See accompanying auditors' report.

Bond Issue		
Series 2019	Series 2020	Totals
2.00% - 4.00%	2.125% - 4.625%	
3/1; 9/1	3/1; 9/1	
9/1/23 -	9/1/23 -	
9/1/44	9/1/45	
\$ 3,000,000	\$ -	\$ 14,475,000
	3,000,000	3,000,000
		(385,000)
<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 17,090,000</u>
<u>\$ 86,425</u>	<u>\$ 66,146</u>	<u>\$ 601,428</u>

Fort Bend County Municipal Utility District No. 170

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 792,121	\$ 645,728	\$ 505,117	\$ 304,861	\$ 285,929
Miscellaneous	24,740				
Investment earnings	118	1,822	4,392	1,964	550
Total Revenues	816,979	647,550	509,509	306,825	286,479
Expenditures					
Operating and administrative					
Professional fees	90,524	95,169	96,415	79,850	143,124
Contracted services	11,440	11,240	10,930	10,900	10,640
Master District fees	615,750	486,660	343,560	277,350	215,550
Administrative	19,715	19,119	17,454	19,146	16,739
Other		6,000			
Total Expenditures	737,429	618,188	468,359	387,246	386,053
Revenues Over (Under) Expenditures	\$ 79,550	\$ 29,362	\$ 41,150	\$ (80,421)	\$ (99,574)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
97%	100%	99%	99%	100%
3%				
*	*	1%	1%	*
100%	100%	100%	100%	100%
11%	15%	19%	26%	50%
1%	2%	2%	4%	4%
75%	75%	67%	90%	75%
2%	3%	3%	6%	6%
	1%			
89%	96%	91%	126%	135%
11%	4%	9%	(26%)	(35%)

Fort Bend County Municipal Utility District No. 170

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 2,821,615	\$ 2,179,677	\$ 1,760,358	\$ 1,352,745	\$ 1,089,642
Penalties and interest	9,361	18,074	11,736	11,070	6,785
City of Fulshear tax rebates/annual payment	151,979	110,001	87,439	63,064	43,866
Accrued interest on bonds sold				628	8,623
Miscellaneous	270	240	60	80	250
Investment earnings	1,031	8,649	25,422	15,449	6,180
Total Revenues	<u>2,984,256</u>	<u>2,316,641</u>	<u>1,885,015</u>	<u>1,443,036</u>	<u>1,155,346</u>
Expenditures					
Tax collection services	49,555	34,036	38,963	30,219	18,807
Debt service					
Principal	385,000	350,000	260,000	255,000	100,000
Interest and fees	600,193	524,392	437,193	353,029	281,566
Contractual obligation	1,793,621	1,414,055	1,129,018	839,422	667,842
Total Expenditures	<u>2,828,369</u>	<u>2,322,483</u>	<u>1,865,174</u>	<u>1,477,670</u>	<u>1,068,215</u>
Revenues Over (Under) Expenditures	<u>\$ 155,887</u>	<u>\$ (5,842)</u>	<u>\$ 19,841</u>	<u>\$ (34,634)</u>	<u>\$ 87,131</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
95%	94%	93%	94%	93%
*	1%	1%	1%	1%
5%	5%	5%	4%	4%
			*	1%
*	*	*	*	*
*	*	1%	1%	1%
100%	100%	100%	100%	100%
2%	1%	2%	2%	2%
13%	15%	14%	18%	9%
20%	23%	23%	24%	24%
60%	61%	60%	58%	58%
95%	100%	99%	102%	93%
5%	0%	1%	(2%)	7%

Fort Bend County Municipal Utility District No. 170
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): December 7, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
CJ McDaniel	6/18 - 5/22	\$ 3,300		President
Walter Toler	5/20 - 5/24	1,800		Vice President
Russell Cosbey	5/20 - 5/24	1,800		Secretary
Stephen Burke	6/18 - 5/22	1,950		Assistant Vice President
Michael Morales	5/20 - 5/24	1,950		Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	8/08	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 79,670		
<i>Bond counsel</i>		90,000		
F. Matuska, Inc.	2/10	13,683		Bookkeeper
Assessments of the Southwest, Inc.	11/08	17,929		Tax Collector
Fort Bend Central Appraisal District	Legislation	25,609		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	11/08	1,495		Delinquent Tax Attorney
Brown & Gay Engineers	11/08	16,669		Engineer
McGrath & Co, PLLC	8/13	21,750		Auditor
Masterson Advisors, LLC	5/18	63,988		Financial Advisor

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

See accompanying auditors' report.

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2021

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 171

Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 171, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 171
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 171, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGuire & Co, LLC

Houston, Texas
January 10, 2022

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 171 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2021, was negative \$7,677,667. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 3,150,074	\$ 2,832,945
Capital assets	2,487,353	2,579,477
Total assets	<u>5,637,427</u>	<u>5,412,422</u>
 Total deferred outflows of resources	 <u>211,159</u>	 <u>190,904</u>
 Current liabilities	 713,922	 673,926
Long-term liabilities	12,812,331	13,374,725
Total liabilities	<u>13,526,253</u>	<u>14,048,651</u>
 Net position		
Net investment in capital assets	(388,300)	(411,550)
Restricted	2,228,880	2,079,398
Unrestricted	<u>(9,518,247)</u>	<u>(10,113,173)</u>
Total net position	<u>\$ (7,677,667)</u>	<u>\$ (8,445,325)</u>

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

The total net position of the District increased during the current fiscal year by \$767,658. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 4,247,266	\$ 4,005,687
City of Fulshear annual payment	214,642	197,658
Other	2,348	28,747
Total revenues	<u>4,464,256</u>	<u>4,232,092</u>
Expenses		
Operating and administrative	510,207	522,312
Debt interest and fees	410,819	459,448
Debt issuance costs	77,468	
Contractual obligation	2,605,980	2,485,796
Amortization	92,124	92,124
Total expenses	<u>3,696,598</u>	<u>3,559,680</u>
Change in net position before other item	767,658	672,412
Other item		
Transfers to other governments	<u></u>	<u>(718,128)</u>
Change in net position	767,658	(45,716)
Net position, beginning of year	<u>(8,445,325)</u>	<u>(8,399,609)</u>
Net position, end of year	<u><u>\$ (7,677,667)</u></u>	<u><u>\$ (8,445,325)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2021, were \$3,120,264, which consists of \$879,999 in the General Fund and \$2,240,265 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 888,933</u>	<u>\$ 717,434</u>
Total liabilities	\$ 6,661	\$ 12,813
Total deferred inflows	2,273	1,510
Total fund balance	<u>879,999</u>	<u>703,111</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 888,933</u></u>	<u><u>\$ 717,434</u></u>

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

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

	2021	2020
Total revenues	\$ 631,367	\$ 540,858
Total expenditures	(454,479)	(464,373)
Revenues over expenditures	<u>\$ 176,888</u>	<u>\$ 76,485</u>

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 2,261,141</u>	<u>\$ 2,115,511</u>
Total liabilities	\$ 2,409	\$ 2,409
Total deferred inflows	18,467	16,659
Total fund balance	<u>2,240,265</u>	<u>2,096,443</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,261,141</u>	<u>\$ 2,115,511</u>

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

	2021	2020
Total revenues	\$ 3,830,318	\$ 3,687,051
Total expenditures	(3,786,496)	(3,587,310)
Revenues over expenditures	43,822	99,741
Other changes in fund balance	100,000	
Net change in fund balance	<u>\$ 143,822</u>	<u>\$ 99,741</u>

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear annual payment. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and its contract obligation to Fort Bend County Municipal Utility District No. 169.

During the current year, the District issued \$1,460,000 in refunding bonds to refund \$1,360,000 of its outstanding Series 2011A bonds. This refunding will save the District \$205,633 in future debt service requirements.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$65,718 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at September 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital assets being amortized		
Interest in regional park facilities	\$ 3,098,700	\$ 3,098,700
Less accumulated amortization	<u>(611,347)</u>	<u>(519,223)</u>
Capital assets, net	<u>\$ 2,487,353</u>	<u>\$ 2,579,477</u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Additional information is presented in Note 9.

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

Long-Term Debt and Related Liabilities

As of September 30, 2021, the District owes approximately \$846,051 to its developer for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At September 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2011	\$ -	\$ 130,000
2011A		1,360,000
2012 Park	1,350,000	1,395,000
2018 Refunding	2,440,000	2,565,000
2019 Refunding	7,465,000	7,710,000
2020 Refunding	1,360,000	
	<u>\$ 12,615,000</u>	<u>\$ 13,160,000</u>

During the current year, the District issued \$1,460,000 in unlimited tax refunding bonds. At September 30, 2021, the District had \$53,623,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$35,500,000 for parks and recreational facilities and the refunding of such bonds; and \$17,150,000 for road improvements and the refunding of such bonds.

Next Year's Budget

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

	2021 Actual	2022 Budget
Total revenues	\$ 631,367	\$ 636,000
Total expenditures	(454,479)	(521,490)
Revenues over expenditures	176,888	114,510
Beginning fund balance	703,111	879,999
Ending fund balance	<u>\$ 879,999</u>	<u>\$ 994,509</u>

***Fort Bend County Municipal Utility District No. 171
Management's Discussion and Analysis
September 30, 2021***

Property Taxes

The District's property tax base increased approximately \$8,835,000 for the 2021 tax year from \$394,421,184 to \$403,255,726. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.145 per \$100 of assessed value, a debt service tax rate of \$0.215 per \$100 of assessed value, and a contract tax rate of \$0.69 per \$100 assessed value, for a total combined tax rate of \$1.05 per \$100. Tax rates for the 2020 tax year were \$0.16 per \$100 for maintenance and operations, \$0.215 per \$100 for debt service, and \$0.695 per \$100 for contract tax, for a combined total of \$1.07 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 171
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 180,638	\$ 17,737	\$ 198,375	\$ -	\$ 198,375
Investments	713,901	2,216,014	2,929,915		2,929,915
Taxes receivable	2,273	18,467	20,740		20,740
Internal balances	(8,923)	8,923			
Other receivables	1,044		1,044		1,044
Capital assets, net				2,487,353	2,487,353
Total Assets	<u>\$ 888,933</u>	<u>\$ 2,261,141</u>	<u>\$ 3,150,074</u>	<u>2,487,353</u>	<u>5,637,427</u>
Deferred Outflows of Resources					
Deferred difference on refunding				<u>211,159</u>	<u>211,159</u>
Liabilities					
Accounts payable	\$ 6,294	\$ -	\$ 6,294		6,294
Other payables	367	2,409	2,776		2,776
Accrued interest payable				29,852	29,852
Due to developer				846,051	846,051
Long-term debt					
Due within one year				675,000	675,000
Due after one year				11,966,280	11,966,280
Total Liabilities	<u>6,661</u>	<u>2,409</u>	<u>9,070</u>	<u>13,517,183</u>	<u>13,526,253</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>2,273</u>	<u>18,467</u>	<u>20,740</u>	<u>(20,740)</u>	
Fund Balances/Net Position					
Fund Balances					
Restricted		2,240,265	2,240,265	(2,240,265)	
Unassigned	879,999		879,999	(879,999)	
Total Fund Balances	<u>879,999</u>	<u>2,240,265</u>	<u>3,120,264</u>	<u>(3,120,264)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 888,933</u>	<u>\$ 2,261,141</u>	<u>\$ 3,150,074</u>		
Net Position					
Net investment in capital assets				(388,300)	(388,300)
Restricted for debt service				2,228,880	2,228,880
Unrestricted				(9,518,247)	(9,518,247)
Total Net Position				<u>\$ (7,677,667)</u>	<u>\$ (7,677,667)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 171

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

For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 630,957	\$ 3,589,527	\$ 4,220,484	\$ 4,711	\$ 4,225,195
Penalties and interest		20,214	20,214	1,857	22,071
City of Fulshear annual payment		218,639	218,639	(3,997)	214,642
Investment earnings	410	1,938	2,348		2,348
Total Revenues	631,367	3,830,318	4,461,685	2,571	4,464,256
Expenditures/Expenses					
Operating and administrative					
Professional fees	63,376		63,376		63,376
Contracted services	11,445	52,107	63,552		63,552
Master District fees	355,320		355,320		355,320
Administrative	24,338	3,621	27,959		27,959
Debt service					
Principal		645,000	645,000	(645,000)	
Interest and fees		402,320	402,320	8,499	410,819
Debt issuance costs		77,468	77,468		77,468
Contractual obligation		2,605,980	2,605,980		2,605,980
Amortization				92,124	92,124
Total Expenditures/Expenses	454,479	3,786,496	4,240,975	(544,377)	3,696,598
Revenues Over Expenditures	176,888	43,822	220,710	(220,710)	
Other Financing Sources/(Uses)					
Proceeds from sale of refunding bonds		1,460,000	1,460,000	(1,460,000)	
Debt service - principal		(1,360,000)	(1,360,000)	1,360,000	
Net Change in Fund Balances	176,888	143,822	320,710	(320,710)	
Change in Net Position				767,658	767,658
Fund Balance/Net Position					
Beginning of the year	703,111	2,096,443	2,799,554	(11,244,879)	(8,445,325)
End of the year	\$ 879,999	\$ 2,240,265	\$ 3,120,264	\$ (10,797,931)	\$ (7,677,667)

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 171 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 21, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on August 30, 2007 and the first bonds were issued on December 16, 2009.

The District’s primary activities include construction of water, sewer, drainage, recreational and road facilities. As further discussed in Note 9, the District transfers certain facilities to the City of Fulshear for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the “Master District”). The primary source of revenue for debt service are property taxes and the City of Fulshear annual payment. Expenditures include costs incurred in assessing and collecting these taxes.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

The District's interest in regional park facilities is amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

Deferred Inflows and Outflows of Financial Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of City of Fulshear annual payment and property taxes levied for debt service and the District’s contractual obligations to the Master District in the Debt Service Fund.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 3,120,264
--	--------------

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

Historical cost	\$ 3,098,700	
Less accumulated amortization	<u>(611,347)</u>	
Change due to capital assets		2,487,353

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

	211,159
--	---------

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

	(846,051)
--	-----------

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

The difference consists of:

Bonds payable, net	(12,641,280)	
Interest payable on bonds	<u>(29,852)</u>	
Change due to long-term debt		(12,671,132)

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

	20,740
--	--------

Total net position - governmental activities	<u><u>\$ (7,677,667)</u></u>
--	------------------------------

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

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

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

Net change in fund balances - total governmental funds	\$ 320,710
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference consists of:

Property taxes and related penalties and interest	\$ 6,568	
City of Fulshear annual payment	<u>(3,997)</u>	
		2,571

In the <i>Statement of Activities</i> , the cost of connection fees paid to the Master District are charged to amortization expense over the remaining life of the contract.	(92,124)
--	----------

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

Issuance of long-term debt	(1,460,000)	
Principal payments	2,005,000	
Interest expense accrual	<u>(8,499)</u>	
		536,501

Change in net position of governmental activities	<u><u>\$ 767,658</u></u>
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of September 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 713,901		
	Debt Service	2,216,014		
Total		<u>\$ 2,929,915</u>	AAAm	37 days

TexPool

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

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

TexPool (continued)

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 8,923	Proceeds from the sale of refunding bonds in excess of bond issuance costs paid by the General Fund

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2021, is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets being amortized			
Interest in regional park facilities	\$ 3,098,700	\$ -	\$ 3,098,700
Less accumulated amortization	(519,223)	(92,124)	(611,347)
Capital assets, net	<u>\$ 2,579,477</u>	<u>\$ (92,124)</u>	<u>\$ 2,487,353</u>

Amortization expense for the current year was \$92,124.

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 6 – Due to Developer

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

The amount due to developer at September 30, 2021 is approximately \$846,051. There was no change in this liability from the prior year.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 12,615,000
Unamortized discounts	(31,386)
Unamortized premium	57,666
	<u>\$ 12,641,280</u>
Due within one year	<u>\$ 675,000</u>

The District's bonds payable at September 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2012 Park	\$ 1,350,000	\$ 1,600,000	3.25% - 5.75%	September 1, 2016/2038	March 1, September 1	September 1, 2021
2018 Refunding	2,440,000	2,790,000	3.00% - 4.00%	September 1, 2019/2034	March 1, September 1	September 1, 2024
2019 Refunding	7,465,000	7,795,000	3.00% - 3.125%	September 1, 2020/2036	March 1, September 1	September 1, 2025
2020 Refunding	1,360,000	1,460,000	2.00% - 3.00%	September 1, 2021/2038	March 1, September 1	September 1, 2026
	<u>\$ 12,615,000</u>					

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt (continued)

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

At September 30, 2021, the District had authorized but unissued bonds in the amount of \$53,623,000 for water, sewer and drainage facilities and the refunding of such bonds; \$35,500,000 for park and recreational facilities and the refunding of such bonds; and \$17,150,000 for road improvements and the refunding of such bonds.

On November 24, 2020, the District issued its \$1,460,000 Series 2020 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.117968% to refund \$1,360,000 of outstanding Series 2011A bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$205,633 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$158,113. As of September 30, 2021, the Series 2011A bonds have all been redeemed and are no longer outstanding.

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

Bonds payable, beginning of year	\$ 13,160,000
Bonds issued	1,460,000
Bonds refunded	(1,360,000)
Bonds retired	(645,000)
Bonds payable, end of year	<u>\$ 12,615,000</u>

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt (continued)

As of September 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 675,000	\$ 370,575	\$ 1,045,575
2023	695,000	348,850	1,043,850
2024	720,000	326,463	1,046,463
2025	745,000	307,475	1,052,475
2026	775,000	287,775	1,062,775
2027	800,000	267,275	1,067,275
2028	840,000	245,775	1,085,775
2029	870,000	223,726	1,093,726
2030	900,000	200,863	1,100,863
2031	935,000	173,963	1,108,963
2032	970,000	145,975	1,115,975
2033	1,005,000	115,262	1,120,262
2034	1,060,000	83,062	1,143,062
2035	840,000	49,037	889,037
2036	425,000	24,037	449,037
2037	175,000	10,975	185,975
2038	185,000	5,663	190,663
	<u>\$ 12,615,000</u>	<u>\$ 3,186,751</u>	<u>\$ 15,801,751</u>

Note 8 – Property Taxes

On November 6, 2007, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general maintenance and operations limited to \$1.50 per \$100 of assessed value. On November 4, 2008, the voters of the District authorized the District’s Board of Directors to levy taxes annually for maintenance of road facilities limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.07 per \$100 of assessed value, of which \$0.16 was allocated to maintenance and operations, \$0.215 was allocated to debt service, and \$0.695 was allocated to contract tax. The resulting tax levy was \$4,220,306 on the adjusted taxable value of \$394,421,184.

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 8 – Property Taxes (continued)

Property taxes receivable, at September 30, 2021, consisted of the following:

Current year taxes receivable	\$ 8,526
Prior years taxes receivable	<u>7,616</u>
	16,142
Penalty and interest receivable	<u>4,598</u>
Property taxes receivable	<u><u>\$ 20,740</u></u>

Note 9 – Utility Agreement

On December 18, 2007, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement terminates December 18, 2040, unless otherwise previously terminated. The City establishes water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City. The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2040 (the “Annual Payment”); provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater, and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. For the fiscal year ended September 30, 2021, the District recognized \$214,642 for the Annual Payment.

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 9 – Utility Agreement (continued)

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

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

Note 10 – Master District

On November 17, 2008, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 in its capacity as Master District (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$355,320 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District finances park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges are calculated by the Master District from time to time based on each participating district’s pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District is obligated to issue bonds, or use other lawfully available funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless certain financial conditions are met. During the current fiscal year, the District did not pay any park construction charges to the Master District.

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 10 – Master District (continued)

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2020 tax year, the District's pro rata share is 20.84%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$2,605,980 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2021, the Master District has \$176,790,000 in contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2022	\$ 6,940,000	\$ 4,882,152	\$ 11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027 - 2031	39,245,000	17,479,456	56,724,456
2032 - 2036	43,155,000	11,893,409	55,048,409
2037 - 2041	37,830,000	5,826,833	43,656,833
2042 - 2046	20,495,000	1,185,144	21,680,144
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

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

Note 11 – Risk Management

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

Note 12 – Subsequent Events

Master District Debt Issuances

On November 4, 2021, the Master District issued its \$14,000,000 Series 2021B Contract Revenue Bonds (Road Facilities) at a net effective rate of 2.567654%. Proceeds from the bonds were used to reimburse the developer for road improvements constructed to serve the Master District service area.

Fort Bend County Municipal Utility District No. 171
Notes to Financial Statements
September 30, 2021

Note 12 – Subsequent Events (continued)

Master District Debt Issuances (continued)

On December 14, 2021, the Master District issued its \$3,370,000 Series 2021 Bond Anticipation Note (“BAN”) at a net effective rate of 0.99%, which is due on December 13, 2022. The Master District intends to pay this BAN with proceeds from the issuance of contract revenue bonds.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 171
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 610,900	\$ 630,957	\$ 20,057
Investment earnings	5,000	410	(4,590)
Total Revenues	615,900	631,367	15,467
Expenditures			
Operating and administrative			
Professional fees	98,000	63,376	34,624
Contracted services	12,000	11,445	555
Master District fees	364,320	355,320	9,000
Administrative	30,410	24,338	6,072
Total Expenditures	504,730	454,479	50,251
Revenues Over Expenditures	111,170	176,888	65,718
Fund Balance			
Beginning of the year	703,111	703,111	
End of the year	<u>\$ 814,281</u>	<u>\$ 879,999</u>	<u>\$ 65,718</u>

Fort Bend County Municipal Utility District No. 171
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 171

TSI-1. Services and Rates

September 30, 2021

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

- | | | | |
|--|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water, wastewater and storm sewer facilities accepted by City of Fulshear for operation and maintenance.</u> | | | |

2. Retail Service Providers N/A

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 171

TSI-1. Services and Rates

September 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Fulshear

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2021

Professional fees	
Legal	\$ 43,733
Audit	12,000
Engineering	7,643
	<u>63,376</u>
Contracted services	
Bookkeeping	<u>11,445</u>
Master District fees	<u>355,320</u>
Administrative	
Directors fees	10,050
Printing and office supplies	9,476
Insurance	3,019
Other	1,793
	<u>24,338</u>
Total expenditures	<u>\$ 454,479</u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-3. Investments
September 30, 2021

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	<u>\$ 713,901</u>
Debt Service			
TexPool	Variable	N/A	1,008,497
TexPool	Variable	N/A	20,169
TexPool	Variable	N/A	<u>1,187,348</u>
			<u>2,216,014</u>
Total - All Funds			<u><u>\$ 2,929,915</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171**TSI-4. Taxes Levied and Receivable****September 30, 2021**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,510	\$ 2,597	\$ 7,324	\$ 11,431
Adjustments	646	1,100	3,142	4,888
Adjusted Receivable	2,156	3,697	10,466	16,319
2020 Original Tax Levy	626,820	842,289	2,722,748	4,191,857
Adjustments	4,254	5,716	18,479	28,449
Adjusted Tax Levy	631,074	848,005	2,741,227	4,220,306
Total to be accounted for	633,230	851,702	2,751,693	4,236,625
Tax collections:				
Current year	629,799	846,292	2,735,689	4,211,780
Prior years	1,158	1,935	5,610	8,703
Total Collections	630,957	848,227	2,741,299	4,220,483
Taxes Receivable, End of Year	\$ 2,273	\$ 3,475	\$ 10,394	\$ 16,142
Taxes Receivable, By Years				
2020	\$ 1,275	\$ 1,713	\$ 5,538	\$ 8,526
2019	513	836	2,473	3,822
2018	485	926	2,383	3,794
Taxes Receivable, End of Year	\$ 2,273	\$ 3,475	\$ 10,394	\$ 16,142
Property Valuations:	2020	2019	2018	2017
Land	\$ 98,566,208	\$ 94,608,248	\$ 94,608,128	\$ 80,549,958
Improvements	315,857,044	293,549,988	284,748,208	290,313,291
Personal Property	4,079,740	4,314,720	4,257,340	3,558,280
Exemptions	(24,081,808)	(20,450,772)	(21,268,542)	(12,967,487)
Total Property Valuations	\$ 394,421,184	\$ 372,022,184	\$ 362,345,134	\$ 361,454,042
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.160	\$ 0.1442	\$ 0.1415	\$ 0.1400
Debt service tax rates	0.215	0.2350	0.2700	0.2825
Contract tax rates	0.695	0.6950	0.6950	0.6950
Total Tax Rates per \$100 Valuation	\$ 1.070	\$ 1.0742	\$ 1.1065	\$ 1.1175
Adjusted Tax Levy:	\$ 4,220,306	\$ 3,996,262	\$ 4,009,349	\$ 4,039,249
Percentage of Taxes Collected to Taxes Levied **	99.80%	99.90%	99.91%	100.00%

* Maximum maintenance tax rate approved by voters for water,
wastewater, drainage and recreational facilities:

\$1.50 on November 6, 2007

* Maximum maintenance tax rate approved by voters for road facilities: \$0.25 on November 4, 2008

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2012 Park--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 50,000	\$ 45,425	\$ 95,425
2023	55,000	43,800	98,800
2024	55,000	42,013	97,013
2025	60,000	40,225	100,225
2026	60,000	38,275	98,275
2027	65,000	36,325	101,325
2028	70,000	34,212	104,212
2029	75,000	31,938	106,938
2030	75,000	29,500	104,500
2031	80,000	27,062	107,062
2032	85,000	24,462	109,462
2033	90,000	21,700	111,700
2034	95,000	18,550	113,550
2035	100,000	15,225	115,225
2036	105,000	11,725	116,725
2037	110,000	8,050	118,050
2038	120,000	4,200	124,200
	<u>\$ 1,350,000</u>	<u>\$ 472,687</u>	<u>\$ 1,822,687</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2018 Refunding--by Years
September 30, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 135,000	\$ 90,600	\$ 225,600
2023	140,000	85,200	225,200
2024	150,000	79,600	229,600
2025	160,000	73,600	233,600
2026	170,000	67,200	237,200
2027	175,000	60,400	235,400
2028	190,000	53,400	243,400
2029	195,000	47,700	242,700
2030	205,000	41,850	246,850
2031	215,000	35,188	250,188
2032	220,000	28,200	248,200
2033	235,000	19,400	254,400
2034	250,000	10,000	260,000
	<u>\$ 2,440,000</u>	<u>\$ 692,338</u>	<u>\$ 3,132,338</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 395,000	\$ 202,400	\$ 597,400
2023	410,000	190,550	600,550
2024	425,000	178,250	603,250
2025	440,000	169,750	609,750
2026	460,000	160,950	620,950
2027	475,000	151,750	626,750
2028	495,000	141,063	636,063
2029	515,000	128,688	643,688
2030	540,000	115,813	655,813
2031	560,000	99,613	659,613
2032	585,000	82,813	667,813
2033	605,000	65,262	670,262
2034	640,000	47,112	687,112
2035	670,000	27,912	697,912
2036	250,000	7,812	257,812
	<u>\$ 7,465,000</u>	<u>\$ 1,769,738</u>	<u>\$ 9,234,738</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
Series 2020 Refunding--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 95,000	\$ 32,150	\$ 127,150
2023	90,000	29,300	119,300
2024	90,000	26,600	116,600
2025	85,000	23,900	108,900
2026	85,000	21,350	106,350
2027	85,000	18,800	103,800
2028	85,000	17,100	102,100
2029	85,000	15,400	100,400
2030	80,000	13,700	93,700
2031	80,000	12,100	92,100
2032	80,000	10,500	90,500
2033	75,000	8,900	83,900
2034	75,000	7,400	82,400
2035	70,000	5,900	75,900
2036	70,000	4,500	74,500
2037	65,000	2,925	67,925
2038	65,000	1,463	66,463
	<u>\$ 1,360,000</u>	<u>\$ 251,988</u>	<u>\$ 1,611,988</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 675,000	\$ 370,575	\$ 1,045,575
2023	695,000	348,850	1,043,850
2024	720,000	326,463	1,046,463
2025	745,000	307,475	1,052,475
2026	775,000	287,775	1,062,775
2027	800,000	267,275	1,067,275
2028	840,000	245,775	1,085,775
2029	870,000	223,726	1,093,726
2030	900,000	200,863	1,100,863
2031	935,000	173,963	1,108,963
2032	970,000	145,975	1,115,975
2033	1,005,000	115,262	1,120,262
2034	1,060,000	83,062	1,143,062
2035	840,000	49,037	889,037
2036	425,000	24,037	449,037
2037	175,000	10,975	185,975
2038	185,000	5,663	190,663
	<u>\$ 12,615,000</u>	<u>\$ 3,186,751</u>	<u>\$ 15,801,751</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 171
TSI-6. Change in Long-Term Bonded Debt
September 30, 2021

	Bond Issue			
	Series 2011	Series 2011A	Series 2012 Park	Series 2018 Refunding
Interest rate	4.00% - 5.00%	4.00% - 6.00%	3.25% - 5.75%	3.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/13 - 9/1/21	9/1/16 - 9/1/20	9/1/16 - 9/1/38	9/1/19 - 9/1/34
Beginning bonds outstanding	\$ 130,000	\$ 1,360,000	\$ 1,395,000	\$ 2,565,000
Bonds issued				
Bonds refunded		(1,360,000)		
Bonds retired	(130,000)		(45,000)	(125,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,000</u>	<u>\$ 2,440,000</u>
Interest paid during fiscal year	<u>\$ 5,200</u>	<u>\$ 13,962</u>	<u>\$ 48,013</u>	<u>\$ 95,600</u>
Paying agent's name and city				
All Series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	
Amount Authorized by Voters	\$ 68,558,000	\$ 37,100,000	\$ 17,150,000	
Amount Issued	(14,935,000)	(1,600,000)		
Remaining To Be Issued	<u>\$ 53,623,000</u>	<u>\$ 35,500,000</u>	<u>\$ 17,150,000</u>	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of September 30, 2021: \$ 2,233,751

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 929,515

See accompanying auditors' report.

Bond Issue		
Series 2019	Series 2020	
Refunding	Refunding	Totals
3.00% - 3.125%	2.00% - 3.00%	
3/1; 9/1	3/1; 9/1	
9/1/20 - 9/1/36	9/1/21 - 9/1/38	
\$ 7,710,000	\$ -	\$ 13,160,000
	1,460,000	1,460,000
		(1,360,000)
(245,000)	(100,000)	(645,000)
\$ 7,465,000	\$ 1,360,000	\$ 12,615,000
\$ 209,750	\$ 29,292	\$ 401,817

Fort Bend County Municipal Utility District No. 171

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 630,957	\$ 535,911	\$ 514,861	\$ 504,325	\$ 624,530
Investment earnings	410	4,947	8,236	6,828	1,772
Total Revenues	631,367	540,858	523,097	511,153	626,302
Expenditures					
Operating and administrative					
Professional fees	63,376	80,737	88,920	78,048	149,698
Contracted services	11,445	11,460	11,415	11,205	11,190
Master District fees	355,320	348,030	324,270	323,640	323,640
Administrative	24,338	24,146	21,471	20,526	19,387
Capital outlay					1,701,588
Total Expenditures	454,479	464,373	446,076	433,419	2,205,503
Revenues Over/(Under) Expenditures	\$ 176,888	\$ 76,485	\$ 77,021	\$ 77,734	\$ (1,579,201)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
100%	99%	98%	99%	100%
*	1%	2%	1%	*
100%	100%	100%	100%	100%
10%	15%	17%	15%	24%
2%	2%	2%	2%	2%
56%	64%	62%	63%	52%
4%	4%	4%	4%	3%
				272%
72%	85%	85%	84%	353%
28%	15%	15%	16%	(253%)

Fort Bend County Municipal Utility District No. 171

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 3,589,527	\$ 3,456,623	\$ 3,507,052	\$ 3,525,341	\$ 3,606,642
Penalties and interest	20,214	13,008	28,589	21,329	20,730
City of Fulshear tax rebates/annual payment	218,639	193,661	188,689	197,607	177,871
Investment earnings	1,938	23,759	63,360	40,459	5,439
Total Revenues	3,830,318	3,687,051	3,787,690	3,784,736	3,810,682
Expenditures					
Tax collection services	55,728	52,276	49,664	41,175	51,248
Debt service					
Principal	645,000	600,000	485,000	445,000	420,000
Debt issuance costs	77,468		348,977	130,902	
Debt interest and fees	402,320	449,238	695,307	713,881	732,200
Contractual obligation	2,605,980	2,485,796	2,406,853	2,436,903	2,474,014
Total Expenditures	3,786,496	3,587,310	3,985,801	3,767,861	3,677,462
Revenues Over/(Under) Expenditures	\$ 43,822	\$ 99,741	\$ (198,111)	\$ 16,875	\$ 133,220

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
93%	94%	92%	93%	94%
1%	*	1%	1%	1%
6%	5%	5%	5%	5%
*	1%	2%	1%	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	1%
17%	16%	13%	12%	11%
2%		9%	3%	
11%	12%	18%	19%	19%
68%	67%	64%	64%	65%
99%	96%	105%	99%	96%
1%	4%	(5%)	1%	4%

Fort Bend County Municipal Utility District No. 171
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 11, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jocelyn Ryan	05/20 - 05/24	\$ 2,100	\$ -	President
Samuel Edwards	05/18 - 05/22	2,250		Vice President
Richard Collier	05/18 - 05/22	1,950		Assistant Vice President
Stacey Stone	05/20 - 05/24	2,250		Secretary
Gregory Shaw	08/21 - 05/22	150		Assistant Secretary
Sherry Gannon	05/18 - 04/21	1,350		Former Director
		Amounts Paid		
Consultants				
Allen Boone Humphries Robinson LLP	2007			Attorney
<i>General legal fees</i>		\$ 43,733		
<i>Bond counsel fees</i>		41,601		
F. Matuska, Inc.	2010	13,360		Bookkeeper
Assessments of the Southwest, Inc.	2007	15,986		Tax Collector
Fort Bend Central Appraisal District	Legislation	31,231		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	4,890		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2007	7,643		Engineer
McGrath & Co, PLLC	2010	13,000		Auditor
Masterson Advisors LLC	2018	21,509		Financial Advisor

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

See accompanying auditors' report.

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2021

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 172

Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 172
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

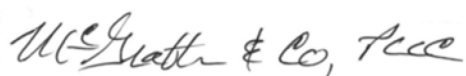
Other Matters

Required Supplementary Information

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

Other Information

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



Houston, Texas
January 10, 2022

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 172
Management's Discussion and Analysis
September 30, 2021***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 172 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2021, was negative \$20,291,150. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 6,524,217	\$ 6,509,769
Capital assets	3,756,833	3,891,006
Total assets	10,281,050	10,400,775
Total deferred outflows of resources	79,578	
Current liabilities	1,232,851	1,118,293
Long-term liabilities	29,418,927	30,276,838
Total liabilities	30,651,778	31,395,131
Net position		
Net investment in capital assets	(853,633)	(905,479)
Restricted	3,470,128	3,111,288
Unrestricted	(22,907,645)	(23,200,165)
Total net position	\$ (20,291,150)	\$ (20,994,356)

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The total net position of the District increased during the current fiscal year by \$703,206. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 7,730,697	\$ 6,983,247
City of Fulshear annual payment	387,628	340,269
Other	9,745	71,958
Total revenues	<u>8,128,070</u>	<u>7,395,474</u>
Expenses		
Operating and administrative	907,223	901,573
Debt interest and fees	1,117,924	1,089,044
Developer interest	40,691	92,640
Debt issuance costs	280,434	340,686
Contractual obligation	4,684,184	4,096,239
Amortization	134,173	134,173
Total expenses	<u>7,164,629</u>	<u>6,654,355</u>
Change in net position before other item	963,441	741,119
Other item		
Transfers to other governments	<u>(260,235)</u>	<u>(1,279,355)</u>
Change in net position	703,206	(538,236)
Net position, beginning of year	<u>(20,994,356)</u>	<u>(20,456,120)</u>
Net position, end of year	<u>\$ (20,291,150)</u>	<u>\$ (20,994,356)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2021, were \$6,436,714, which consists of \$2,406,433 in the General Fund, \$3,482,810 in the Debt Service Fund, and \$547,471 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 2,424,676</u>	<u>\$ 2,263,542</u>
Total liabilities	\$ 10,909	\$ 15,299
Total deferred inflows	7,334	4,811
Total fund balance	<u>2,406,433</u>	<u>2,243,432</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,424,676</u>	<u>\$ 2,263,542</u>

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

	2021	2020
Total revenues	\$ 919,219	\$ 908,228
Total expenditures	(756,218)	(766,332)
Revenues over expenditures	\$ 163,001	\$ 141,896

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	\$ 3,551,881	\$ 3,199,282
Total liabilities	\$ 3,962	\$ 2,713
Total deferred inflows	65,109	47,259
Total fund balance	3,482,810	3,149,310
Total liabilities, deferred inflows and fund balance	\$ 3,551,881	\$ 3,199,282

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

	2021	2020
Total revenues	\$ 7,188,074	\$ 6,449,278
Total expenditures	(7,072,453)	(6,101,095)
Revenues over expenditures	115,621	348,183
Other changes in fund balance	217,879	
Net change in fund balance	\$ 333,500	\$ 348,183

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear annual payment. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contract obligations to Fort Bend County Municipal Utility District No. 169.

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During the current year, the District issued \$4,480,000 in refunding bonds to refund \$4,410,000 of its outstanding Series 2013 bonds. This refunding will save the District \$1,139,569 in future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	\$ 547,660	\$ 1,046,945
Total liabilities	\$ 189	\$ -
Total fund balance	547,471	1,046,945
Total liabilities and fund balance	\$ 547,660	\$ 1,046,945

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

	2021	2020
Total revenues	\$ 405	\$ 12,678
Total expenditures	(1,979,879)	(2,787,657)
Revenues under expenditures	(1,979,474)	(2,774,979)
Other changes in fund balance	1,480,000	2,100,000
Net change in fund balance	\$ (499,474)	\$ (674,979)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds in the current year and issuance of its Series 2019 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$25,699 less than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

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

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Management's Discussion and Analysis
September 30, 2021

Capital assets held by the District at September 30, 2021 and 2020 are summarized as follows:

	2021	2020
Capital assets being amortized		
Interest in regional park facilities	\$ 4,427,698	\$ 4,427,698
Less accumulated amortization	(670,865)	(536,692)
Capital assets, net	<u>\$ 3,756,833</u>	<u>\$ 3,891,006</u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developers are reimbursed. For the year ended September 30, 2021, capital assets in the amount of \$260,235 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of September 30, 2021, the District owes approximately \$260,235 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers are trued up when the developers are reimbursed.

At September 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2013	\$ -	\$ 4,580,000
2014	7,005,000	7,230,000
2015	6,970,000	7,140,000
2016 Park	4,100,000	4,300,000
2017	2,100,000	2,250,000
2019	4,350,000	4,450,000
2020	1,480,000	
2021 Refunding	4,480,000	
	<u>\$ 30,485,000</u>	<u>\$ 29,950,000</u>

During the current year, the District issued \$1,480,000 in unlimited tax bonds and \$4,480,000 in unlimited tax refunding bonds. At September 30, 2021, the District had \$141,963,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$75,740,000 for parks and recreational facilities and the refunding of such bonds; and \$31,710,000 for road improvements and the refunding of such bonds.

***Fort Bend County Municipal Utility District No. 172
Management's Discussion and Analysis
September 30, 2021***

Next Year's Budget

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

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 919,219	\$ 916,200
Total expenditures	<u>(756,218)</u>	<u>(814,950)</u>
Revenues over expenditures	163,001	101,250
Beginning fund balance	2,243,432	2,406,433
Ending fund balance	<u>\$ 2,406,433</u>	<u>\$ 2,507,683</u>

Property Taxes

The District's property tax base increased approximately \$113,085,000 for the 2021 tax year from \$704,901,142 to \$817,986,448. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.115 per \$100 of assessed value, a debt service tax rate of \$0.22 per \$100 of assessed value, and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.03 per \$100. Tax rates for the 2020 tax year were \$0.130 per \$100 for maintenance and operations, \$0.265 per \$100 for debt service, and \$0.695 per \$100 for contract tax for a combined total of \$1.09 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 172
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 27,914	\$ 17,738	\$ -	\$ 45,652	\$ -	\$ 45,652
Investments	2,397,977	3,460,485	547,660	6,406,122		6,406,122
Taxes receivable	7,334	65,109		72,443		72,443
Internal balances	(8,549)	8,549				
Capital assets, net					3,756,833	3,756,833
Total Assets	<u>\$ 2,424,676</u>	<u>\$ 3,551,881</u>	<u>\$ 547,660</u>	<u>\$6,524,217</u>	<u>3,756,833</u>	<u>10,281,050</u>
Deferred Outflows of Resources						
Deferred difference on refunding					79,578	79,578
Liabilities						
Accounts payable	\$ 10,496	\$ -	\$ 189	\$ 10,685		10,685
Other payables	413	3,962		4,375		4,375
Accrued interest payable					77,791	77,791
Due to developers					260,235	260,235
Long-term debt						
Due within one year					1,140,000	1,140,000
Due after one year					29,158,692	29,158,692
Total Liabilities	<u>10,909</u>	<u>3,962</u>	<u>189</u>	<u>15,060</u>	<u>30,636,718</u>	<u>30,651,778</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>7,334</u>	<u>65,109</u>		<u>72,443</u>	<u>(72,443)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		3,482,810	547,471	4,030,281	(4,030,281)	
Unassigned	2,406,433			2,406,433	(2,406,433)	
Total Fund Balances	<u>2,406,433</u>	<u>3,482,810</u>	<u>547,471</u>	<u>6,436,714</u>	<u>(6,436,714)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,424,676</u>	<u>\$ 3,551,881</u>	<u>\$ 547,660</u>	<u>\$6,524,217</u>		
Net Position						
Net investment in capital assets					(853,633)	(853,633)
Restricted for debt service					3,470,128	3,470,128
Unrestricted					(22,907,645)	(22,907,645)
Total Net Position					<u>\$(20,291,150)</u>	<u>\$(20,291,150)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 172

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

For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 913,056	\$ 6,746,692	\$ -	\$ 7,659,748	\$ 22,004	\$ 7,681,752
Penalties and interest		41,758		41,758	7,187	48,945
City of Fulshear annual payment		396,447		396,447	(8,819)	387,628
Miscellaneous	5,000	10		5,010		5,010
Investment earnings	1,163	3,167	405	4,735		4,735
Total Revenues	919,219	7,188,074	405	8,107,698	20,372	8,128,070
Expenditures/Expenses						
Operating and administrative						
Professional fees	70,908		53,990	124,898		124,898
Contracted services	10,440	92,133		102,573		102,573
Master District fees	651,750			651,750		651,750
Administrative	23,120	4,882		28,002		28,002
Capital outlay			1,769,483	1,769,483	(1,769,483)	
Debt service						
Principal		1,015,000		1,015,000	(1,015,000)	
Interest and fees		1,111,535		1,111,535	6,389	1,117,924
Developer interest			40,691	40,691		40,691
Debt issuance costs		164,719	115,715	280,434		280,434
Contractual obligation		4,684,184		4,684,184		4,684,184
Amortization					134,173	134,173
Total Expenditures/Expenses	756,218	7,072,453	1,979,879	9,808,550	(2,643,921)	7,164,629
Revenues Over/(Under)						
Expenditures/Expenses	163,001	115,621	(1,979,474)	(1,700,852)	2,664,293	963,441
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			1,480,000	1,480,000	(1,480,000)	
Proceeds from sale of refunding bonds		4,480,000		4,480,000	(4,480,000)	
Bond premium		147,879		147,879	(147,879)	
Payment to refunded bond escrow agent		(4,410,000)		(4,410,000)	4,410,000	
Other Item						
Transfers to other governments					(260,235)	(260,235)
Net Change in Fund Balances	163,001	333,500	(499,474)	(2,973)	2,973	
Change in Net Position					703,206	703,206
Fund Balance/Net Position						
Beginning of the year	2,243,432	3,149,310	1,046,945	6,439,687	(27,434,043)	(20,994,356)
End of the year	<u>\$ 2,406,433</u>	<u>\$ 3,482,810</u>	<u>\$ 547,471</u>	<u>\$ 6,436,714</u>	<u>\$ (26,727,864)</u>	<u>\$ (20,291,150)</u>

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 172 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of Texas Commission on Environmental Quality, dated August 28, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on June 30, 2008 and the first bonds were issued on December 18, 2013.

The District’s primary activities include the provision of water, sewer, drainage, recreational and road facilities. As further discussed in Note 10, the District transfers certain facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District’s and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the “Master District”). The primary sources of revenue for debt service is property taxes and the City of Fulshear annual payment. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and the Master District regional park facilities.

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

Measurement Focus and Basis of Accounting

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The District's interest in regional park facilities are amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

Deferred Inflows and Outflows of Financial Resources

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

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 6,436,714
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 4,427,698	
Less accumulated amortization	<u>(670,865)</u>	
Change due to capital assets		3,756,833

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

79,578

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

Bonds payable, net	(30,298,692)	
Interest payable on bonds	<u>(77,791)</u>	
Change due to long-term debt		(30,376,483)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(260,235)
---	-----------

Property taxes and penalties and interest receivable that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.

72,443

Total net position - governmental activities	<u><u>\$ (20,291,150)</u></u>
--	-------------------------------

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

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

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

Net change in fund balances - total governmental funds	\$	(2,973)
--	----	---------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference consists of:

Property taxes and penalties and interest	\$	29,191	
City of Fulshear annual payment		<u>(8,819)</u>	
			20,372

Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the *Statement of Net Position*. In the *Statement of Activities*, the cost of connection fees paid to the Master District are charged to expense over the remaining life of the contract.

Capital outlays	1,769,483	
Amortization expense	<u>(134,173)</u>	
		1,635,310

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

Issuance of long-term debt	(5,960,000)	
Bond premium	(147,879)	
Payment to refunded bond escrow agent	4,410,000	
Principal payments	1,015,000	
Interest expense accrual	<u>(6,389)</u>	
		(689,268)

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

Change in net position of governmental activities	<u>\$</u>	<u>703,206</u>
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Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of September 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,397,977	AAAm	37 days
	Debt Service	3,460,485		
	Capital Projects	547,660		
Total		<u>\$ 6,406,122</u>		

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2021, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 1,329	Maintenance tax collections not remitted as of year end
Debt Service Fund	General Fund	9,878	Proceeds from the sale of refunding bonds in excess of bond application fees paid by the General Fund

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

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2021, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 4,427,698	\$ -	\$ 4,427,698
Less accumulated amortization	(536,692)	(134,173)	(670,865)
Capital assets, net	<u>\$ 3,891,006</u>	<u>\$ (134,173)</u>	<u>\$ 3,756,833</u>

Amortization expense for the current year was \$134,173.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	\$ 1,769,483
Developer funded construction	260,235
Developer reimbursements	(1,769,483)
Due to developers, end of year	<u>\$ 260,235</u>

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 30,485,000
Unamortized discounts	(325,488)
Unamortized premium	139,180
	<u>\$ 30,298,692</u>
Due within one year	<u>\$ 1,140,000</u>

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt (continued)

The District's bonds payable at September 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	\$ 7,005,000	\$ 8,180,000	2.25% - 4.125%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	6,970,000	7,730,000	2.00% - 4.00%	September 1, 2017/2040	March 1, September 1	September 1, 2023
2016 Park	4,100,000	4,900,000	2.00% - 4.00%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017	2,100,000	2,700,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
2019	4,350,000	4,450,000	2.00% - 3.00%	September 1, 2021/2043	March 1, September 1	September 1, 2025
2020	1,480,000	1,480,000	2.00% - 3.00%	September 1, 2022/2043	March 1, September 1	September 1, 2026
2021 Refunding	4,480,000	4,480,000	2.00% - 3.00%	September 1, 2022/2037	March 1, September 1	September 1, 2026
	<u>\$ 30,485,000</u>					

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

At September 30, 2021, the District had authorized but unissued bonds in the amount of \$141,963,000 for water, sewer and drainage facilities and the refunding of such bonds; \$75,740,000 for park and recreational facilities and the refunding of such bonds; and \$31,710,000 for road facilities and the refunding of such bonds.

On December 16, 2020, the District issued its \$1,480,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 2.208998%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 7 – Long-Term Debt (continued)

On June 9, 2021, the District issued its \$4,480,000 Series 2021 Unlimited Tax Refunding Bonds at a net effective interest rate of 1.829295% to refund \$4,410,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$1,139,569 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$953,196. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through September 1, 2021, the redemption date of the bonds. As of September 30, 2021, the bonds have all been redeemed and are no longer outstanding.

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

Bonds payable, beginning of year	\$ 29,950,000
Bonds issued	5,960,000
Bonds retired	(1,015,000)
Bonds refunded	(4,410,000)
Bonds payable, end of year	<u>\$ 30,485,000</u>

As of September 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 1,140,000	\$ 965,677	\$ 2,105,677
2023	1,175,000	935,070	2,110,070
2024	1,210,000	902,014	2,112,014
2025	1,250,000	867,702	2,117,702
2026	1,280,000	831,526	2,111,526
2027	1,330,000	793,481	2,123,481
2028	1,370,000	756,381	2,126,381
2029	1,410,000	717,394	2,127,394
2030	1,440,000	676,682	2,116,682
2031	1,480,000	633,357	2,113,357
2032	1,520,000	588,388	2,108,388
2033	1,645,000	541,231	2,186,231
2034	1,675,000	489,769	2,164,769
2035	1,705,000	436,244	2,141,244
2036	1,735,000	381,594	2,116,594
2037	1,790,000	324,900	2,114,900
2038	1,840,000	263,932	2,103,932
2039	1,880,000	193,706	2,073,706
2040	1,375,000	120,975	1,495,975
2041	975,000	69,288	1,044,288
2042	680,000	37,100	717,100
2043	580,000	16,800	596,800
	<u>\$ 30,485,000</u>	<u>\$ 11,543,211</u>	<u>\$ 42,028,211</u>

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 8 – Property Taxes

On May 8, 2010, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.09 per \$100 of assessed value, of which \$0.130 was allocated to maintenance and operations, \$0.265 was allocated to debt service, and \$0.695 was allocated to contract tax. The resulting tax levy was \$7,683,422 on the adjusted taxable value of \$704,901,142.

Property taxes receivable, at September 30, 2021, consisted of the following:

Current year taxes receivable	\$ 29,837
Prior years taxes receivable	25,114
	<hr/> 54,951
Penalty and interest receivable	17,492
Property taxes receivable	<hr/> <u>\$ 72,443</u>

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the "City"), the District transfers certain facilities to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended September 30, 2021, the District reported transfers to other governments in the amount of \$260,235 for projects completed and transferred to the City.

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 10 – Utility Agreement

On May 14, 2010, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement terminates May 14, 2044, unless otherwise previously terminated.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City. The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2045, (the “Annual Payment”); provided, however the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities as described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and nonpotable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. For the fiscal year ended September 30, 2021, the District recognized \$387,628 for the City Annual Payment.

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

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

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 11 – Master District

On May 14, 2010, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 in its capacity as Master District (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$651,750 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

The Master District finances park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges are calculated by the Master District from time to time based on each participating district’s pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District is obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless certain financial conditions are met. During the current year, the District did not pay any park construction charges to the Master District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2020 tax year, the District’s pro rata share is 37.42%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$4,684,184 to the Master District for its pro rata share of Master District debt service requirements.

Fort Bend County Municipal Utility District No. 172
Notes to Financial Statements
September 30, 2021

Note 11 – Master District (continued)

As of September 30, 2021, the Master District has \$176,790,000 in contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2022	\$ 6,940,000	\$ 4,882,152	\$ 11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027 - 2031	39,245,000	17,479,456	56,724,456
2032 - 2036	43,155,000	11,893,409	55,048,409
2037 - 2041	37,830,000	5,826,833	43,656,833
2042 - 2046	20,495,000	1,185,144	21,680,144
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

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

Note 12 – Risk Management

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

Note 13 – Subsequent Events

Master District Debt Issuances

On November 4, 2021, the Master District issued its \$14,000,000 Series 2021B Contract Revenue Bonds (Road Facilities) at a net effective rate of 2.567654%. Proceeds from the bonds were used to reimburse the developers for road improvements constructed to serve the Master District service area.

On December 14, 2021, the Master District issued its \$3,370,000 Series 2021 Bond Anticipation Note ("BAN") at a net effective rate of 0.99%, which is due on December 13, 2022. The Master District intends to pay this BAN with proceeds from the issuance of contract revenue bonds.

On January 4, 2022, the District used surplus funds to fully reimburse its developer for amounts report at September 30, 2021.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 172

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 960,800	\$ 913,056	\$ (47,744)
Miscellaneous		5,000	5,000
Investment earnings	20,000	1,163	(18,837)
Total Revenues	980,800	919,219	(61,581)
Expenditures			
Operating and administrative			
Professional fees	102,000	70,908	31,092
Contracted services	11,000	10,440	560
Master District fees	651,600	651,750	(150)
Administrative	27,500	23,120	4,380
Total Expenditures	792,100	756,218	35,882
Revenues Over Expenditures	188,700	163,001	(25,699)
Fund Balance			
Beginning of the year	2,243,432	2,243,432	
End of the year	\$ 2,432,132	\$ 2,406,433	\$ (25,699)

Fort Bend County Municipal Utility District No. 172
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 172

TSI-1. Services and Rates

September 30, 2021

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

- | | | | |
|--|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Potable water, wastewater and storm sewer facilities accepted by City of Fulshear for operation and maintenance.</u> | | | |

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-1. Services and Rates
September 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

*Gallons purchased:	<u>N/A</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Fulshear

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2021

Professional fees	
Legal	\$ 42,958
Audit	12,000
Engineering	15,950
	<u>70,908</u>
Contracted services	
Bookkeeping	<u>10,440</u>
Master District fees	<u>651,750</u>
Administrative	
Directors fees	10,800
Printing and office supplies	1,982
Insurance	3,769
Other	6,569
	<u>23,120</u>
Total expenditures	<u>\$ 756,218</u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-3. Investments
September 30, 2021

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	<u>\$ 2,397,977</u>
Debt Service			
TexPool	Variable	N/A	2,192,514
TexPool	Variable	N/A	42,963
TexPool	Variable	N/A	<u>1,225,008</u>
			<u>3,460,485</u>
Capital Projects			
TexPool	Variable	N/A	446,898
TexPool	Variable	N/A	<u>100,762</u>
			<u>547,660</u>
Total - All Funds			<u><u>\$ 6,406,122</u></u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172

TSI-4. Taxes Levied and Receivable

September 30, 2021

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 4,811	\$ 8,370	\$ 19,765	\$ 32,946
Adjustments to Prior Year Tax Levy	(792)	(1,612)	(3,799)	(6,203)
Adjusted Receivable	4,019	6,758	15,966	26,743
2020 Original Tax Levy	909,728	1,854,446	4,863,548	7,627,722
Adjustments	6,643	13,542	35,515	55,700
Adjusted Tax Levy	916,371	1,867,988	4,899,063	7,683,422
Total to be accounted for	920,390	1,874,746	4,915,029	7,710,165
Tax collections:				
Current year	912,813	1,860,734	4,880,038	7,653,585
Prior years	243	413	973	1,629
Total Collections	913,056	1,861,147	4,881,011	7,655,214
Taxes Receivable, End of Year	\$ 7,334	\$ 13,599	\$ 34,018	\$ 54,951
Taxes Receivable, By Years				
2020	\$ 3,558	\$ 7,254	\$ 19,025	\$ 29,837
2019	1,183	2,407	5,671	9,261
2018	1,052	1,826	4,302	7,180
2017 and prior	1,541	2,112	5,020	8,673
Taxes Receivable, End of Year	\$ 7,334	\$ 13,599	\$ 34,018	\$ 54,951
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 144,422,526	\$ 135,945,758	\$ 128,107,772	\$ 123,915,592
Improvements	588,041,162	502,243,739	447,483,294	429,225,051
Personal Property	7,250,250	6,565,350	5,266,850	4,479,090
Exemptions	(34,812,796)	(31,032,170)	(15,465,423)	(15,431,976)
Total Property Valuations	\$ 704,901,142	\$ 613,722,677	\$ 565,392,493	\$ 542,187,757
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.130	\$ 0.145	\$ 0.170	\$ 0.195
Debt service tax rates	0.265	0.295	0.295	0.295
Contract tax rates	0.695	0.695	0.695	0.695
Total Tax Rates per \$100 Valuation	\$ 1.090	\$ 1.135	\$ 1.160	\$ 1.185
Adjusted Tax Levy:	\$ 7,683,422	\$ 6,965,752	\$ 6,558,553	\$ 6,424,925
Percentage of Taxes Collected to Taxes Levied ***	99.61%	99.87%	99.89%	99.94%

* Maximum Maintenance Tax Rate Approved by Voters for water, wastewater, drainage and recreational facilities: \$1.50 on May 8, 2010

** Maximum Maintenance Tax Rate Approved by Voters for road facilities: \$0.25 on May 8, 2010

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 235,000	\$ 268,906	\$ 503,906
2023	250,000	261,856	511,856
2024	265,000	254,356	519,356
2025	280,000	246,406	526,406
2026	295,000	237,306	532,306
2027	320,000	226,981	546,981
2028	340,000	215,381	555,381
2029	355,000	202,631	557,631
2030	370,000	189,319	559,319
2031	385,000	174,519	559,519
2032	400,000	159,119	559,119
2033	425,000	143,119	568,119
2034	445,000	126,119	571,119
2035	465,000	108,319	573,319
2036	490,000	89,719	579,719
2037	510,000	69,506	579,506
2038	575,000	48,469	623,469
2039	600,000	24,750	624,750
	<u>\$ 7,005,000</u>	<u>\$ 3,046,781</u>	<u>\$ 10,051,781</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 175,000	\$ 244,583	\$ 419,583
2023	185,000	240,426	425,426
2024	195,000	235,570	430,570
2025	210,000	230,208	440,208
2026	220,000	224,433	444,433
2027	230,000	218,163	448,163
2028	245,000	211,263	456,263
2029	260,000	203,913	463,913
2030	270,000	195,788	465,788
2031	285,000	187,013	472,013
2032	305,000	177,394	482,394
2033	400,000	167,100	567,100
2034	400,000	153,600	553,600
2035	400,000	139,600	539,600
2036	400,000	125,600	525,600
2037	425,000	111,600	536,600
2038	750,000	94,600	844,600
2039	765,000	64,600	829,600
2040	850,000	34,000	884,000
	<u>\$ 6,970,000</u>	<u>\$ 3,259,454</u>	<u>\$ 10,229,454</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2016 Park--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 200,000	\$ 135,000	\$ 335,000
2023	200,000	129,000	329,000
2024	200,000	123,000	323,000
2025	200,000	117,000	317,000
2026	200,000	111,000	311,000
2027	200,000	105,000	305,000
2028	200,000	99,000	299,000
2029	200,000	93,000	293,000
2030	200,000	87,000	287,000
2031	200,000	81,000	281,000
2032	200,000	75,000	275,000
2033	200,000	68,500	268,500
2034	200,000	62,000	262,000
2035	200,000	55,500	255,500
2036	200,000	49,000	249,000
2037	200,000	42,250	242,250
2038	200,000	35,250	235,250
2039	200,000	28,000	228,000
2040	200,000	20,000	220,000
2041	300,000	12,000	312,000
	<u>\$ 4,100,000</u>	<u>\$ 1,527,500</u>	<u>\$ 5,627,500</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 100,000	\$ 65,500	\$ 165,500
2023	100,000	63,500	163,500
2024	100,000	60,500	160,500
2025	100,000	57,500	157,500
2026	100,000	54,500	154,500
2027	100,000	51,500	151,500
2028	100,000	48,500	148,500
2029	100,000	45,500	145,500
2030	100,000	42,500	142,500
2031	100,000	39,500	139,500
2032	100,000	36,500	136,500
2033	100,000	33,375	133,375
2034	100,000	30,250	130,250
2035	100,000	27,125	127,125
2036	100,000	23,875	123,875
2037	100,000	20,625	120,625
2038	100,000	17,375	117,375
2039	100,000	14,000	114,000
2040	100,000	10,500	110,500
2041	100,000	7,000	107,000
2042	100,000	3,500	103,500
	<u>\$ 2,100,000</u>	<u>\$ 753,125</u>	<u>\$ 2,853,125</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 150,000	\$ 116,438	\$ 266,438
2023	150,000	113,438	263,438
2024	150,000	110,438	260,438
2025	150,000	107,438	257,438
2026	150,000	104,437	254,437
2027	150,000	101,437	251,437
2028	150,000	98,437	248,437
2029	150,000	95,250	245,250
2030	150,000	91,875	241,875
2031	150,000	88,125	238,125
2032	150,000	84,375	234,375
2033	150,000	80,437	230,437
2034	150,000	76,500	226,500
2035	150,000	72,000	222,000
2036	150,000	67,500	217,500
2037	150,000	63,000	213,000
2038	150,000	58,500	208,500
2039	150,000	54,000	204,000
2040	150,000	49,500	199,500
2041	500,000	45,000	545,000
2042	500,000	30,000	530,000
2043	500,000	15,000	515,000
	<u>\$ 4,350,000</u>	<u>\$ 1,723,125</u>	<u>\$ 6,073,125</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 65,000	\$ 33,950	\$ 98,950
2023	65,000	32,000	97,000
2024	65,000	30,050	95,050
2025	65,000	28,100	93,100
2026	65,000	26,150	91,150
2027	65,000	24,200	89,200
2028	65,000	22,900	87,900
2029	65,000	21,600	86,600
2030	65,000	20,300	85,300
2031	65,000	19,000	84,000
2032	65,000	17,700	82,700
2033	65,000	16,400	81,400
2034	65,000	15,100	80,100
2035	65,000	13,800	78,800
2036	65,000	12,500	77,500
2037	65,000	11,119	76,119
2038	65,000	9,738	74,738
2039	65,000	8,356	73,356
2040	75,000	6,975	81,975
2041	75,000	5,288	80,288
2042	80,000	3,600	83,600
2043	80,000	1,800	81,800
	<u>\$ 1,480,000</u>	<u>\$ 380,626</u>	<u>\$ 1,860,626</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 215,000	\$ 101,300	\$ 316,300
2023	225,000	94,850	319,850
2024	235,000	88,100	323,100
2025	245,000	81,050	326,050
2026	250,000	73,700	323,700
2027	265,000	66,200	331,200
2028	270,000	60,900	330,900
2029	280,000	55,500	335,500
2030	285,000	49,900	334,900
2031	295,000	44,200	339,200
2032	300,000	38,300	338,300
2033	305,000	32,300	337,300
2034	315,000	26,200	341,200
2035	325,000	19,900	344,900
2036	330,000	13,400	343,400
2037	340,000	6,800	346,800
	<u>\$ 4,480,000</u>	<u>\$ 852,600</u>	<u>\$ 5,332,600</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 172
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 1,140,000	\$ 965,677	\$ 2,105,677
2023	1,175,000	935,070	2,110,070
2024	1,210,000	902,014	2,112,014
2025	1,250,000	867,702	2,117,702
2026	1,280,000	831,526	2,111,526
2027	1,330,000	793,481	2,123,481
2028	1,370,000	756,381	2,126,381
2029	1,410,000	717,394	2,127,394
2030	1,440,000	676,682	2,116,682
2031	1,480,000	633,357	2,113,357
2032	1,520,000	588,388	2,108,388
2033	1,645,000	541,231	2,186,231
2034	1,675,000	489,769	2,164,769
2035	1,705,000	436,244	2,141,244
2036	1,735,000	381,594	2,116,594
2037	1,790,000	324,900	2,114,900
2038	1,840,000	263,932	2,103,932
2039	1,880,000	193,706	2,073,706
2040	1,375,000	120,975	1,495,975
2041	975,000	69,288	1,044,288
2042	680,000	37,100	717,100
2043	580,000	16,800	596,800
	<u>\$ 30,485,000</u>	<u>\$ 11,543,211</u>	<u>\$ 42,028,211</u>

See accompanying auditor's report.

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Fort Bend County Municipal Utility District No. 172
TSI-6. Change in Long-Term Bonded Debt
September 30, 2021

	Bond Issue			
	Series 2013	Series 2014	Series 2015	Series 2016 Park
Interest rate	3.00% - 5.00%	2.25% - 4.125%	2.00% - 4.00%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/14 - 9/1/21	9/1/16 - 9/1/39	9/1/17 - 9/1/40	9/1/18 - 9/1/41
Beginning bonds outstanding	\$ 4,580,000	\$ 7,230,000	\$ 7,140,000	\$ 4,300,000
Bonds issued				
Bonds refunded	(4,410,000)			
Bonds retired	(170,000)	(225,000)	(170,000)	(200,000)
Ending bonds outstanding	\$ -	\$ 7,005,000	\$ 6,970,000	\$ 4,100,000
Interest paid during fiscal year	\$ 208,001	\$ 274,531	\$ 248,194	\$ 141,000
Paying agent's name and city	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas			
All Series				
Bond Authority:	Water, Sewer and Drainage Bonds	Parks and Recreational Bonds	Road Bonds	
Amount Authorized by Voters	\$ 171,878,000	\$ 80,640,000	\$ 31,710,000	
Amount Issued	(29,915,000)	(4,900,000)		
Remaining To Be Issued	\$ 141,963,000	\$ 75,740,000	\$ 31,710,000	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of September 30, 2021: \$ 3,478,223

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,910,373

See accompanying auditor's report.

Bond Issue				
Series 2017	Series 2019	Series 2020	Series 2021 Refunding	Totals
2.00% - 3.50%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 3.00%	
3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
9/1/18 - 9/1/42	9/1/21 - 9/1/43	9/1/22 - 9/1/43	9/1/22 - 9/1/37	
\$ 2,250,000	\$ 4,450,000	\$ -	\$ -	\$ 29,950,000
		1,480,000	4,480,000	5,960,000
				(4,410,000)
(150,000)	(100,000)			(1,015,000)
<u>\$ 2,100,000</u>	<u>\$ 4,350,000</u>	<u>\$ 1,480,000</u>	<u>\$ 4,480,000</u>	<u>\$ 30,485,000</u>
<u>\$ 68,500</u>	<u>\$ 118,438</u>	<u>\$ 25,462</u>	<u>\$ 25,325</u>	<u>\$ 1,109,451</u>

Fort Bend County Municipal Utility District No. 172

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 913,056	\$ 888,478	\$ 961,216	\$ 1,057,826	\$ 1,199,470
Miscellaneous	5,000				
Investment earnings	1,163	19,750	47,714	24,639	6,111
Total Revenues	919,219	908,228	1,008,930	1,082,465	1,205,581
Expenditures					
Operating and administrative					
Professional fees	70,908	85,750	91,112	86,293	158,328
Contracted services	10,440	10,080	9,600	9,800	9,680
Repairs and maintenance					40,000
Master District fees	651,750	640,800	618,930	526,470	568,170
Administrative	23,120	21,702	17,532	15,802	19,151
Other		8,000			
Total Expenditures	756,218	766,332	737,174	638,365	795,329
Revenues Over Expenditures	\$ 163,001	\$ 141,896	\$ 271,756	\$ 444,100	\$ 410,252

* Percent is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
99%	98%	95%	98%	99%
1%				
*	2%	5%	2%	1%
100%	100%	100%	100%	100%
8%	9%	9%	8%	13%
1%	1%	1%	1%	1%
				3%
71%	71%	61%	49%	47%
3%	2%	2%	1%	2%
	1%			
83%	84%	73%	59%	66%
17%	16%	27%	41%	34%

Fort Bend County Municipal Utility District No. 172

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 6,746,692	\$ 6,048,751	\$ 5,596,662	\$ 5,366,443	\$ 5,112,897
Penalties and interest	41,758	29,547	19,751	25,137	50,373
City of Fulshear tax rebates/annual payment	396,447	331,450	307,672	286,553	251,658
Accrued interest on bonds sold				4,090	5,525
Miscellaneous	10	756	120	280	120
Investment earnings	3,167	38,774	108,332	67,531	25,418
Total Revenues	7,188,074	6,449,278	6,032,537	5,750,034	5,445,991
Expenditures					
Tax collection services	97,015	77,088	78,725	72,482	77,029
Debt service					
Principal	1,015,000	880,000	855,000	830,000	450,000
Interest and fees	1,111,535	1,047,768	982,601	982,501	896,174
Debt issuance costs	164,719				
Contractual obligation	4,684,184	4,096,239	3,751,675	3,665,371	3,412,723
Total Expenditures	7,072,453	6,101,095	5,668,001	5,550,354	4,835,926
Revenues Over Expenditures	\$ 115,621	\$ 348,183	\$ 364,536	\$ 199,680	\$ 610,065

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
93%	94%	93%	93%	94%
1%	*	*	*	1%
6%	5%	5%	6%	5%
			*	*
*	*	*	*	*
*	1%	2%	1%	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	1%
14%	14%	14%	14%	8%
15%	16%	16%	17%	16%
2%				
65%	64%	62%	64%	63%
97%	95%	93%	96%	88%
3%	5%	7%	4%	12%

Fort Bend County Municipal Utility District No. 172
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 11, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
William Martin	05/20 - 05/24	\$ 3,900	\$ 67	President
Kevin Shipley	11/18 - 05/22	1,800		Vice President
Tim Shreve	06/21 - 05/24	450		Secretary
Vacant				Assistant Vice President
Shannon Lopez	05/18 - 05/22	1,650		Assistant Secretary
Kenneth Martinec	05/20 - 03/21	1,050		Former Director
Jennifer Quade	05/18 - 08/21	1,950		Former Director
Consultants				
Allen Boone Humphries Robinson LLP	2008	Amounts Paid		Attorney
<i>General legal fees</i>		\$ 51,624		
<i>Bond counsel</i>		93,680		
F. Matuska, Inc.	2010	13,096		Bookkeeper
Assessments of the Southwest, Inc.	2010	28,546		Tax Collector
Fort Bend Central Appraisal District	Legislation	55,573		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	8,014		Delinquent Tax Attorney
BGE, Inc.	2010	15,950		Engineer
McGrath & Co., PLLC	2013	19,500		Auditor
Masterson Advisors, LLC	2018	79,145		Financial Advisor

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

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2021

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors

Fort Bend County Municipal Utility District No. 173

Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 173 (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Fort Bend County Municipal Utility District No. 173
Fort Bend County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 173, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

McGuath & Co, P.C.

Houston, Texas
January 10, 2022

Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 173 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at September 30, 2021, was negative \$17,023,103. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 4,240,191	\$ 2,899,560
Current liabilities	667,966	667,236
Long-term liabilities	20,595,328	21,130,000
Total liabilities	21,263,294	21,797,236
Net position		
Restricted	1,845,147	1,116,575
Unrestricted	(18,868,250)	(20,014,251)
Total net position	\$ (17,023,103)	\$ (18,897,676)

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021

The total net position of the District increased during the current fiscal year by \$1,874,573. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2021	2020
Revenues		
Property taxes, penalties and interest	\$ 6,511,966	\$ 5,152,291
City of Fulshear annual payment	282,765	213,805
Other	12,770	18,917
Total revenues	<u>6,807,501</u>	<u>5,385,013</u>
Expenses		
Operating and administrative	753,133	738,342
Debt interest and fees	747,664	748,962
Developer interest		216,724
Debt issuance costs		470,297
Contractual obligation	3,366,803	2,478,384
Total expenses	<u>4,867,600</u>	<u>4,652,709</u>
Change in net position before other item	1,939,901	732,304
Other item		
Transfers to other governments	<u>(65,328)</u>	<u>(235,000)</u>
Change in net position	1,874,573	497,304
Net position, beginning of year	<u>(18,897,676)</u>	<u>(19,394,980)</u>
Net position, end of year	<u><u>\$ (17,023,103)</u></u>	<u><u>\$ (18,897,676)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2021, were \$4,189,188, which consists of \$1,368,207 in the General Fund, \$1,869,188 in the Debt Service Fund and \$951,793 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 1,384,489</u>	<u>\$ 762,912</u>
Total liabilities	\$ 9,204	\$ 15,364
Total deferred inflows	7,078	3,413
Total fund balance	<u>1,368,207</u>	<u>744,135</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 1,384,489</u></u>	<u><u>\$ 762,912</u></u>

***Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021***

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

	2021	2020
Total revenues	\$ 1,300,183	\$ 1,183,184
Total expenditures	(676,111)	(660,006)
Revenues over expenditures	<u>\$ 624,072</u>	<u>\$ 523,178</u>

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 1,903,651</u>	<u>\$ 1,177,240</u>
Total liabilities	\$ 504	\$ 504
Total deferred inflows	33,959	18,237
Total fund balance	<u>1,869,188</u>	<u>1,158,499</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,903,651</u>	<u>\$ 1,177,240</u>

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

	2021	2020
Total revenues	\$ 5,487,455	\$ 4,181,187
Total expenditures	(4,776,766)	(3,737,881)
Revenues over expenditures	<u>\$ 710,689</u>	<u>\$ 443,306</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear annual payment. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contractual obligations to Fort Bend County Municipal Utility District No.169.

***Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 952,051</u>	<u>\$ 959,408</u>
Total liabilities	\$ 258	\$ 1,207
Total fund balance	<u>951,793</u>	<u>958,201</u>
Total liabilities and fund balance	<u>\$ 952,051</u>	<u>\$ 959,408</u>

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

	2021	2020
Total revenues	\$ 476	\$ 9,381
Total expenditures	<u>(6,884)</u>	<u>(2,663,490)</u>
Revenues under expenditures	(6,408)	(2,654,109)
Other changes in fund balance		2,480,000
Net change in fund balance	<u>\$ (6,408)</u>	<u>\$ (174,109)</u>

The District did not have any significant capital asset activity in the current year. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$90,742 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. The value of these assets is recorded as transfers to other governments upon completion of construction and true-up when the developer is reimbursed. For the year ended September 30, 2021, the District reported transfers to other governments in the amount of \$65,328 for adjustments to the value of projects completed in previous fiscal years. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of September 30, 2021, the District owes approximately \$300,328 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trueed up when the developer is reimbursed.

At September 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

Series	2021	2020
2016	\$ 4,370,000	\$ 4,485,000
2017	6,175,000	6,450,000
2018	4,800,000	4,900,000
2019	5,550,000	5,650,000
	<u>\$ 20,895,000</u>	<u>\$ 21,485,000</u>

At September 30, 2021, the District had \$80,926,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and refunding purposes; \$45,920,000 for parks and recreational facilities and refunding purposes; and \$24,430,000 for road improvements and refunding purposes.

Next Year's Budget

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

	2021 Actual	2022 Budget
Total revenues	\$ 1,300,183	\$ 1,411,100
Total expenditures	(676,111)	(789,050)
Revenues over expenditures	624,072	622,050
Beginning fund balance	744,135	1,368,207
Ending fund balance	<u>\$ 1,368,207</u>	<u>\$ 1,990,257</u>

***Fort Bend County Municipal Utility District No. 173
Management's Discussion and Analysis
September 30, 2021***

Property Taxes

The District's property tax base increased approximately \$32,147,000 for the 2021 tax year from \$509,938,253 to \$542,085,505. This increase was primarily due to increased property values. For the 2021 tax year, the District has levied a maintenance tax rate of \$0.2675 per \$100 of assessed value, a contract tax rate of \$0.695 per \$100 assessed value, and a debt service tax rate of \$0.2725 per \$100 of assessed value, for a total combined tax rate of \$1.235 per \$100. Tax rates for the 2020 tax year were \$0.255 per \$100 for maintenance and operations, \$0.715 per \$100 for contract tax, and \$0.30 per \$100 for debt service for a combined total of \$1.27 per \$100 of assessed value.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 173
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 24,588	\$ 14,718	\$ -	\$ 39,306	\$ -	\$ 39,306
Investments	1,352,832	1,850,441	952,051	4,155,324		4,155,324
Taxes receivable	7,078	33,959		41,037		41,037
Internal balances	(9)	9				
Total Assets	<u>\$1,384,489</u>	<u>\$1,903,651</u>	<u>\$ 952,051</u>	<u>\$ 4,240,191</u>		<u>4,240,191</u>
Liabilities						
Accounts payable	\$ 8,785	\$ -	\$ 258	\$ 9,043		9,043
Other payables	419	504		923		923
Accrued interest payable					58,000	58,000
Due to developers					300,328	300,328
Long-term debt						
Due within one year					600,000	600,000
Due after one year					20,295,000	20,295,000
Total Liabilities	<u>9,204</u>	<u>504</u>	<u>258</u>	<u>9,966</u>	<u>21,253,328</u>	<u>21,263,294</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>7,078</u>	<u>33,959</u>		<u>41,037</u>	<u>(41,037)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		1,869,188	951,793	2,820,981	(2,820,981)	
Unassigned	<u>1,368,207</u>			<u>1,368,207</u>	<u>(1,368,207)</u>	
Total Fund Balances	<u>1,368,207</u>	<u>1,869,188</u>	<u>951,793</u>	<u>4,189,188</u>	<u>(4,189,188)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$1,384,489</u>	<u>\$1,903,651</u>	<u>\$ 952,051</u>	<u>\$ 4,240,191</u>		
Net Position						
Restricted for debt service					1,845,147	1,845,147
Unrestricted					<u>(18,868,250)</u>	<u>(18,868,250)</u>
Total Net Position					<u>\$ (17,023,103)</u>	<u>\$ (17,023,103)</u>

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 173

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

For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 1,296,666	\$5,160,345	\$ -	\$ 6,457,011	\$ 19,270	\$ 6,476,281
Penalties and interest		31,329		31,329	4,356	35,685
City of Fulshear annual payment		287,004		287,004	(4,239)	282,765
Miscellaneous	2,855	6,684		9,539		9,539
Investment earnings	662	2,093	476	3,231		3,231
Total Revenues	1,300,183	5,487,455	476	6,788,114	19,387	6,807,501
Expenditures/Expenses						
Operating and administrative						
Professional fees	64,202	5,402	6,880	76,484		76,484
Contracted services	9,800	64,614		74,414		74,414
Administrative	18,489	122	4	18,615		18,615
Master District fees	553,620			553,620		553,620
Park contribution	30,000			30,000		30,000
Debt service						
Principal		590,000		590,000	(590,000)	
Interest and fees		749,825		749,825	(2,161)	747,664
Contractual obligation		3,366,803		3,366,803		3,366,803
Total Expenditures/Expenses	676,111	4,776,766	6,884	5,459,761	(592,161)	4,867,600
Revenues Over/(Under) Expenditures/Expenses	624,072	710,689	(6,408)	1,328,353	611,548	1,939,901
Other Item						
Transfers to other governments					(65,328)	(65,328)
Net Change in Fund Balances Change in Net Position	624,072	710,689	(6,408)	1,328,353	(1,328,353)	1,874,573
Fund Balance/Net Position						
Beginning of the year	744,135	1,158,499	958,201	2,860,835	(21,758,511)	(18,897,676)
End of the year	<u>\$ 1,368,207</u>	<u>\$1,869,188</u>	<u>\$ 951,793</u>	<u>\$ 4,189,188</u>	<u>\$ (21,212,291)</u>	<u>\$ (17,023,103)</u>

See notes to basic financial statements.

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Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 173 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 28, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on June 30, 2008 and the first bonds were issued on November 22, 2016.

The District’s primary activities include construction of water, sewer, drainage, recreational, and road facilities. As further discussed in Note 9, the District transfers certain of these facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the “Master District”). The primary source of revenue for debt service is property taxes and City of Fulshear annual payment. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities (continued)

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of amounts due to developers and the value of capital assets transferred to the City of Fulshear. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$ 4,189,188
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable	\$ (20,895,000)	
Interest payable on bonds	<u>(58,000)</u>	
Change due to long-term debt		(20,953,000)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(300,328)
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Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	32,919	
Penalty and interest receivable	<u>8,118</u>	
Change due to property taxes		41,037

Total net position - governmental activities	<u><u>\$ (17,023,103)</u></u>
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Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

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

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

Net change in fund balances - total governmental funds	\$ 1,328,353
--	--------------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference consists of:

Property taxes and penalties and interest	\$ 23,626	
City of Fulshear annual payment	<u>(4,239)</u>	
		19,387

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

Principal payments	590,000	
Interest expense accrual	<u>2,161</u>	
		592,161

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

Change in net position of governmental activities	<u>\$ 1,874,573</u>
---	---------------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of September 30, 2021, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,352,832	AAAm	37 days
	Debt Service	1,850,441		
	Capital Projects	952,051		
		<u>\$ 4,155,324</u>		

TexPool

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

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 3 – Deposits and Investments (continued)

TexPool (continued)

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2021, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
Debt Service Fund	General Fund	\$ 9	Property tax value reduction refunds of maintenance tax collections

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

Note 5 – Due to Developers

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

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

Due to developers, beginning of year	\$ 235,000
Adjustments to developer funded capital assets	65,328
Due to developers, end of year	<u>\$ 300,328</u>

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 20,895,000</u>
Due within one year	<u>\$ 600,000</u>

The District's bonds payable at September 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 4,370,000	\$ 4,800,000	2.00% - 3.875%	September 1, 2018/2042	March 1, September 1	September 1, 2024
2017	6,175,000	7,000,000	2.00% - 4.50%	September 1, 2019/2043	March 1, September 1	September 1, 2025
2018	4,800,000	5,000,000	4.00% - 6.50%	September 1, 2020/2044	March 1, September 1	September 1, 2024
2019	5,550,000	5,650,000	2.00% - 4.50%	September 1, 2021/2044	March 1, September 1	September 1, 2025
	<u>\$ 20,895,000</u>					

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

At September 30, 2021, the District had authorized but unissued bonds in the amount of \$80,926,000 for water, sewer and drainage facilities and refunding purposes; \$45,920,000 for park and recreational facilities and refunding purposes; and \$24,430,000 for road improvements and refunding purposes.

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

Bonds payable, beginning of year	\$ 21,485,000
Bonds retired	<u>(590,000)</u>
Bonds payable, end of year	<u>\$ 20,895,000</u>

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 6 – Long-Term Debt (continued)

As of September 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 600,000	\$ 720,001	\$ 1,320,001
2023	630,000	692,876	1,322,876
2024	660,000	664,475	1,324,475
2025	690,000	634,800	1,324,800
2026	700,000	610,725	1,310,725
2027	730,000	592,131	1,322,131
2028	765,000	572,700	1,337,700
2029	795,000	552,125	1,347,125
2030	830,000	529,625	1,359,625
2031	840,000	504,900	1,344,900
2032	875,000	478,987	1,353,987
2033	910,000	451,487	1,361,487
2034	945,000	422,325	1,367,325
2035	955,000	391,537	1,346,537
2036	990,000	360,045	1,350,045
2037	1,030,000	326,544	1,356,544
2038	1,040,000	290,794	1,330,794
2039	1,080,000	254,325	1,334,325
2040	1,120,000	215,632	1,335,632
2041	1,160,000	174,981	1,334,981
2042	1,185,000	132,719	1,317,719
2043	1,215,000	89,075	1,304,075
2044	1,150,000	43,875	1,193,875
	<u>\$ 20,895,000</u>	<u>\$ 9,706,684</u>	<u>\$ 30,601,684</u>

Note 7 – Property Taxes

On May 8, 2010, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 7 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$1.27 per \$100 of assessed value, of which \$0.255 was allocated to maintenance and operations, \$0.715 was allocated to contract obligations, and \$0.30 was allocated to debt service. The resulting tax levy was \$6,476,216 on the adjusted taxable value of \$509,938,253.

Property taxes receivable, at September 30, 2021, consisted of the following:

Current year taxes receivable	\$	26,449
Prior years taxes receivable		6,470
		<hr/> 32,919
Penalty and interest receivable		8,118
Property taxes receivable	\$	<hr/> <hr/> 41,037

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Fulshear (the “City”), the District transfers certain facilities to the City (see Note 9). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended September 30, 2021, the District reported transfers to other governments in the amount of \$65,328 for adjustments to the value of projects completed in previous fiscal years.

Note 9 – Utility Agreement

On May 14, 2010, the District entered into a Utility Agreement, as subsequently amended, (the “Utility Agreement”) with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the “System”) to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement terminates May 14, 2047, unless otherwise previously terminated.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City. The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 9 – Utility Agreement (continued)

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2047 (the “Annual Payment”); provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the District’s internal water, wastewater and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. During the current fiscal year, the District recognized \$282,765 for the Annual Payment from the City.

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

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

Note 10 – Master District

On May 14, 2010, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 in its capacity as Master District (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District charges each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the District. During the current year, the District recorded \$553,620 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.

Fort Bend County Municipal Utility District No. 173
Notes to Financial Statements
September 30, 2021

Note 10 – Master District (continued)

The Master District finances park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges are calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District is obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District unless certain financial conditions are met. During the current fiscal year, the District did not pay any park contribution charges to the Master District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2020 tax year, the District's pro rata share is 26.94%. The District levied a contract tax rate of \$0.715 per \$100 of assessed valuation and paid \$3,366,803 to the Master District for its pro rata share of debt service requirements.

As of September 30, 2021, the Master District has \$176,790,000 in contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2022	\$ 6,940,000	\$ 4,882,152	\$ 11,822,152
2023	7,285,000	4,765,131	12,050,131
2024	7,160,000	4,542,738	11,702,738
2025	7,280,000	4,325,463	11,605,463
2026	7,400,000	4,112,519	11,512,519
2027 - 2031	39,245,000	17,479,456	56,724,456
2032 - 2036	43,155,000	11,893,409	55,048,409
2037 - 2041	37,830,000	5,826,833	43,656,833
2042 - 2046	20,495,000	1,185,144	21,680,144
	<u>\$ 176,790,000</u>	<u>\$ 59,012,845</u>	<u>\$ 235,802,845</u>

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

Note 11 – Interlocal Agreement for Recreational Facilities

On May 26, 2020, the District entered into an Interlocal Agreement for Recreational Facilities with Katy Independent School District (“Katy ISD”) for the construction of a playground at Campbell Elementary School which will be open and available to the public, including residents of the District. Katy ISD is responsible for the design and construction of the project and will own and maintain the facilities upon completion of construction. During the current year, the District contributed \$30,000 to Katy ISD for the construction of the facilities.

Note 12 – Risk Management

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

Note 13 – Subsequent Events

Issuance of Unlimited Tax Park Bonds

On December 13, 2021, the District approved a preliminary official statement and notice of sale for its Series 2022 Unlimited Tax Park Bonds in the amount of \$3,850,000. The acceptance of bids and award of sale were issued on January 10, 2022. Proceeds of the bonds will primarily be used to pay for connection fees to the Master District.

Master District Debt Issuances

On November 4, 2021, the Master District issued its \$14,000,000 Series 2021B Contract Revenue Bonds (Road Facilities) at a net effective rate of 2.567654%. Proceeds from the bonds were used to reimburse the developer for road improvements constructed to serve the Master District service area.

On December 14, 2021, the Master District issued its \$3,370,000 Series 2021 Bond Anticipation Note (“BAN”) at a net effective rate of 0.99%, which is due on December 13, 2022. The Master District intends to pay this BAN with proceeds from the issuance of contract revenue bonds.

Use of Surplus Funds

The District used surplus CPF funds to reimburse the developer for the amount reported at 9/30/2021. The District paid off its developer entirely after year end.

Required Supplementary Information

Fort Bend County Municipal Utility District No. 173

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 1,236,380	\$ 1,296,666	\$ 60,286
Miscellaneous		2,855	2,855
Investment earnings	1,500	662	(838)
Total Revenues	<u>1,237,880</u>	<u>1,300,183</u>	<u>62,303</u>
Expenditures			
Operating and administrative			
Professional fees	101,000	64,202	36,798
Contracted services	10,400	9,800	600
Administrative	20,900	18,489	2,411
Master District fees	572,250	553,620	18,630
Park contribution		30,000	(30,000)
Total Expenditures	<u>704,550</u>	<u>676,111</u>	<u>28,439</u>
Revenues Over Expenditures	533,330	624,072	90,742
Fund Balance			
Beginning of the year	<u>744,135</u>	<u>744,135</u>	
End of the year	<u>\$ 1,277,465</u>	<u>\$ 1,368,207</u>	<u>\$ 90,742</u>

Fort Bend County Municipal Utility District No. 173
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 173

TSI-1. Services and Rates

September 30, 2021

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

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

☒ Other (Specify): Potable water, wastewater and storm sewer facilities accepted by City of Fulshear for operation and maintenance.

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	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to
District employs winter averaging for wastewater usage?				<input type="checkbox"/> Yes	<input type="checkbox"/> No
Total charges per 10,000 gallons usage:			Water		Wastewater

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 173
TSI-1. Services and Rates
September 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

City(ies) in which the District is located: City of Fulshear

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2021

Professional fees		
Legal	\$	37,681
Engineering		16,021
Audit		10,500
		<u>64,202</u>
Contracted services		
Bookkeeping		<u>9,800</u>
Administrative		
Directors fees		10,650
Printing and office supplies		1,923
Insurance		3,769
Other		2,147
		<u>18,489</u>
Master District fees		<u>553,620</u>
Park contribution		<u>30,000</u>
Total expenditures	\$	<u><u>676,111</u></u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

September 30, 2021

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173

TSI-4. Taxes Levied and Receivable

September 30, 2021

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 3,413	\$ 3,241	\$ 6,995	\$ 13,649
Adjustments To Prior Year Tax Levy	(9)	(10)	(20)	(39)
Adjusted Receivable	3,404	3,231	6,975	13,610
2020 Original Tax Levy	1,286,426	1,513,443	3,607,038	6,406,907
Adjustments	13,916	16,373	39,020	69,309
Adjusted Tax Levy	1,300,342	1,529,816	3,646,058	6,476,216
Total to be accounted for	1,303,746	1,533,047	3,653,033	6,489,826
Tax collections				
Current year	1,295,032	1,523,567	3,631,168	6,449,767
Prior years	1,636	1,852	3,652	7,140
Total Collections	1,296,668	1,525,419	3,634,820	6,456,907
Taxes Receivable, End of Year	\$ 7,078	\$ 7,628	\$ 18,213	\$ 32,919
Taxes Receivable, By Years				
2020	\$ 5,310	\$ 6,249	\$ 14,890	\$ 26,449
2019	691	796	1,513	3,000
2018	356	387	827	1,570
2017 and prior	721	196	983	1,900
Taxes Receivable, End of Year	\$ 7,078	\$ 7,628	\$ 18,213	\$ 32,919
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 178,517,666	\$ 174,421,194	\$ 150,347,530	\$ 139,388,210
Improvements	455,990,248	308,773,026	165,991,627	93,752,445
Personal Property	15,708,260	14,450,840	4,617,580	2,695,140
Exemptions	(140,277,921)	(114,000,888)	(66,764,345)	(64,784,167)
Total Property Valuations	\$ 509,938,253	\$ 383,644,172	\$ 254,192,392	\$ 171,051,628
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.255	\$ 0.30838	\$ 0.30338	\$ 0.3722
Contract tax rates	0.715	0.67500	0.70500	0.6950
Debt service tax rates	0.300	0.35500	0.33000	0.2750
Total Tax Rates per \$100 Valuation	\$ 1.270	\$ 1.33838	\$ 1.33838	\$ 1.3422
Adjusted Tax Levy	\$ 6,476,216	\$ 5,134,617	\$ 3,402,060	\$ 2,295,855
Percentage of Taxes Collected to Taxes Levied**	99.59%	99.94%	99.95%	99.96%

* Maximum maintenance tax rate approved by voters for water,
wastewater, drainage and recreational facilities:

\$1.50 on May 8, 2010

* Maximum maintenance tax rate approved by voters for road facilities:

\$0.25 on May 8, 2010

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 125,000	\$ 153,625	\$ 278,625
2023	130,000	149,875	279,875
2024	135,000	145,975	280,975
2025	140,000	141,925	281,925
2026	150,000	137,725	287,725
2027	155,000	133,225	288,225
2028	165,000	128,575	293,575
2029	170,000	123,625	293,625
2030	180,000	118,313	298,313
2031	190,000	112,463	302,463
2032	200,000	106,050	306,050
2033	210,000	99,050	309,050
2034	220,000	91,700	311,700
2035	230,000	83,725	313,725
2036	240,000	75,388	315,388
2037	255,000	66,388	321,388
2038	265,000	56,825	321,825
2039	280,000	46,888	326,888
2040	295,000	36,038	331,038
2041	310,000	24,606	334,606
2042	325,000	12,594	337,594
	<u>\$ 4,370,000</u>	<u>\$ 2,044,578</u>	<u>\$ 6,414,578</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 275,000	\$ 198,938	\$ 473,938
2023	275,000	186,563	461,563
2024	275,000	174,188	449,188
2025	275,000	161,813	436,813
2026	275,000	156,313	431,313
2027	275,000	150,469	425,469
2028	275,000	143,938	418,938
2029	275,000	137,063	412,063
2030	275,000	129,500	404,500
2031	275,000	121,250	396,250
2032	275,000	113,000	388,000
2033	275,000	104,750	379,750
2034	275,000	96,500	371,500
2035	275,000	87,906	362,906
2036	275,000	79,313	354,313
2037	275,000	70,375	345,375
2038	275,000	61,438	336,438
2039	275,000	52,156	327,156
2040	275,000	42,875	317,875
2041	275,000	33,250	308,250
2042	275,000	23,625	298,625
2043	400,000	14,000	414,000
	<u>\$ 6,175,000</u>	<u>\$ 2,339,223</u>	<u>\$ 8,514,223</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
September 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ 100,000	\$ 208,281	\$ 308,281
2023	100,000	201,781	301,781
2024	100,000	195,281	295,281
2025	100,000	188,781	288,781
2026	100,000	182,281	282,281
2027	100,000	177,531	277,531
2028	100,000	173,281	273,281
2029	100,000	169,031	269,031
2030	125,000	165,031	290,031
2031	125,000	160,031	285,031
2032	150,000	155,031	305,031
2033	175,000	149,031	324,031
2034	175,000	142,031	317,031
2035	175,000	135,031	310,031
2036	200,000	128,031	328,031
2037	225,000	120,031	345,031
2038	225,000	111,031	336,031
2039	250,000	102,031	352,031
2040	275,000	91,719	366,719
2041	300,000	80,375	380,375
2042	310,000	68,000	378,000
2043	540,000	54,825	594,825
2044	750,000	31,875	781,875
	<u>\$ 4,800,000</u>	<u>\$ 3,190,352</u>	<u>\$ 7,990,352</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 100,000	\$ 159,157	\$ 259,157
2023	125,000	154,657	279,657
2024	150,000	149,031	299,031
2025	175,000	142,281	317,281
2026	175,000	134,406	309,406
2027	200,000	130,906	330,906
2028	225,000	126,906	351,906
2029	250,000	122,406	372,406
2030	250,000	116,781	366,781
2031	250,000	111,156	361,156
2032	250,000	104,906	354,906
2033	250,000	98,656	348,656
2034	275,000	92,094	367,094
2035	275,000	84,875	359,875
2036	275,000	77,313	352,313
2037	275,000	69,750	344,750
2038	275,000	61,500	336,500
2039	275,000	53,250	328,250
2040	275,000	45,000	320,000
2041	275,000	36,750	311,750
2042	275,000	28,500	303,500
2043	275,000	20,250	295,250
2044	400,000	12,000	412,000
	<u>\$ 5,550,000</u>	<u>\$ 2,132,531</u>	<u>\$ 7,682,531</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2021

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 600,000	\$ 720,001	\$ 1,320,001
2023	630,000	692,876	1,322,876
2024	660,000	664,475	1,324,475
2025	690,000	634,800	1,324,800
2026	700,000	610,725	1,310,725
2027	730,000	592,131	1,322,131
2028	765,000	572,700	1,337,700
2029	795,000	552,125	1,347,125
2030	830,000	529,625	1,359,625
2031	840,000	504,900	1,344,900
2032	875,000	478,987	1,353,987
2033	910,000	451,487	1,361,487
2034	945,000	422,325	1,367,325
2035	955,000	391,537	1,346,537
2036	990,000	360,045	1,350,045
2037	1,030,000	326,544	1,356,544
2038	1,040,000	290,794	1,330,794
2039	1,080,000	254,325	1,334,325
2040	1,120,000	215,632	1,335,632
2041	1,160,000	174,981	1,334,981
2042	1,185,000	132,719	1,317,719
2043	1,215,000	89,075	1,304,075
2044	1,150,000	43,875	1,193,875
	<u>\$ 20,895,000</u>	<u>\$ 9,706,684</u>	<u>\$ 30,601,684</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 173
TSI-6. Change in Long-Term Bonded Debt
September 30, 2021

	Bond Issue		
	Series 2016	Series 2017	Series 2018
Interest rate	2.00% - 3.875%	2.00% - 3.875%	4.00% - 6.50%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/18 - 9/1/42	9/1/19 - 9/1/43	9/1/20 - 9/1/44
Beginning bonds outstanding	\$ 4,485,000	\$ 6,450,000	\$ 4,900,000
Bonds retired	<u>(115,000)</u>	<u>(275,000)</u>	<u>(100,000)</u>
Ending bonds outstanding	<u>\$ 4,370,000</u>	<u>\$ 6,175,000</u>	<u>\$ 4,800,000</u>
Interest paid during fiscal year	<u>\$ 157,075</u>	<u>\$ 211,313</u>	<u>\$ 214,781</u>

Paying agent's name and city

All Series

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

Bond Authority:	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds
Amount Authorized by Voters	\$ 103,376,000	\$ 45,920,000	\$ 24,430,000
Amount Issued	<u>(22,450,000)</u>		
Remaining To Be Issued	<u>\$ 80,926,000</u>	<u>\$ 45,920,000</u>	<u>\$ 24,430,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of September 30, 2021: \$ 1,865,159

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,330,508

See accompanying auditors' report.

<u>Bond Issue</u>	
<u>Series 2019</u>	<u>Totals</u>
2.00% - 4.50%	
3/1; 9/1	
9/1/21 - 9/1/44	
\$ 5,650,000	\$ 21,485,000
<u>(100,000)</u>	<u>(590,000)</u>
<u>\$ 5,550,000</u>	<u>\$ 20,895,000</u>
<u>\$ 163,657</u>	<u>\$ 746,826</u>

Fort Bend County Municipal Utility District No. 173

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 1,296,666	\$ 1,181,809	\$ 761,743	\$ 639,060	\$ 553,430
Miscellaneous	2,855				
Investment earnings	662	1,375	4,788	1,669	123
Total Revenues	<u>1,300,183</u>	<u>1,183,184</u>	<u>766,531</u>	<u>640,729</u>	<u>553,553</u>
Expenditures					
Operating and administrative					
Professional fees	64,202	80,694	94,347	70,767	160,154
Contracted services	9,800	9,940	9,700	9,680	26,321
Administrative	18,489	17,792	16,267	16,007	18,203
Master District fees	553,620	545,580	533,610	475,140	444,300
Park contribution	30,000				
Other		6,000			
Total Expenditures	<u>676,111</u>	<u>660,006</u>	<u>653,924</u>	<u>571,594</u>	<u>648,978</u>
Revenues Over/(Under) Expenditures	<u>\$ 624,072</u>	<u>\$ 523,178</u>	<u>\$ 112,607</u>	<u>\$ 69,135</u>	<u>\$ (95,425)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
100%	100%	99%	100%	100%
*				
*	*	1%	*	*
100%	100%	100%	100%	100%
5%	7%	12%	11%	29%
1%	1%	1%	2%	5%
1%	2%	2%	2%	3%
43%	46%	70%	74%	80%
2%				
	1%			
52%	57%	85%	89%	117%
48%	43%	15%	11%	(17%)

Fort Bend County Municipal Utility District No. 173

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018	2017
Revenues					
Property taxes	\$ 5,160,345	\$ 3,947,321	\$ 2,628,656	\$ 1,663,682	\$ 591,811
Penalties and interest	31,329	16,139	9,395	14,779	2,180
City of Fulshear annual payment	287,004	209,566	143,025	96,370	40,858
Accrued interest on bonds sold				12,386	9,530
Miscellaneous	6,684		122	282	332
Investment earnings	2,093	8,161	27,729	10,092	867
Total Revenues	<u>5,487,455</u>	<u>4,181,187</u>	<u>2,808,927</u>	<u>1,797,591</u>	<u>645,578</u>
Expenditures					
Administrative	70,138	52,535	52,351	30,332	1,221
Debt service					
Principal	590,000	485,000	380,000	100,000	
Interest and fees	749,825	721,962	553,824	341,641	137,646
Contractual obligation	3,366,803	2,478,384	1,738,303	1,178,716	560,464
Total Expenditures	<u>4,776,766</u>	<u>3,737,881</u>	<u>2,724,478</u>	<u>1,650,689</u>	<u>699,331</u>
Revenues Over/(Under) Expenditures	<u>\$ 710,689</u>	<u>\$ 443,306</u>	<u>\$ 84,449</u>	<u>\$ 146,902</u>	<u>\$ (53,753)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2021	2020	2019	2018	2017
94%	95%	93%	92%	93%
1%	*	*	1%	*
5%	5%	5%	5%	6%
			1%	1%
*		*	*	*
*	*	2%	1%	*
100%	100%	100%	100%	100%
1%	1%	2%	2%	*
11%	12%	14%	6%	
14%	17%	20%	19%	21%
61%	59%	62%	66%	87%
87%	89%	98%	93%	108%
13%	11%	2%	7%	(8%)

***Fort Bend County Municipal Utility District No. 173
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2021***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 13, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Patrick Newton	05/18 - 05/22	\$ 3,900	\$ 28	President
Brandon Whittaker	06/19 - 05/22	1,650		Vice President
Jeffery Bauguss	05/18 - 05/22	2,100		Secretary
Holly Miday	05/20 - 05/24	1,350		Assistant Vice President
Ben Carter	05/20 - 05/24	1,650		Assistant Secretary
Consultants		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2008	\$ 45,509		Attorney
F. Matuska, Inc.	2010	11,588		Bookkeeper
Assessments of the Southwest, Inc.	2010	16,894		Tax Collector
Fort Bend Central Appraisal District	Legislation	43,617		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2011	5,402		Delinquent Tax Attorney
Brown & Gay Engineers, Inc.	2010	16,022		Engineer
McGrath & Co, PLLC	2010	10,500		Auditor
Masterson Advisors, LLC	2018			Financial Advisor

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

APPENDIX C
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [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:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN