

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 25, 2020

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

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

THE BONDS WILL BE DESIGNATED “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

BOOK-ENTRY-ONLY

Rating: S&P “A+”
See “MUNICIPAL BOND RATING AND
MUNICIPAL BOND INSURANCE” herein.

\$4,705,000
FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 9
(A political subdivision of the State of Texas located within Fort Bend County)
WATERWORKS AND SEWER SYSTEM COMBINATION
UNLIMITED TAX AND REVENUE BONDS
SERIES 2020

Dated: August 1, 2020

Due: April 1, as shown below

Principal of the Bonds will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from August 1, 2020 and will be payable on April 1 and October 1 of each year commencing April 1, 2021 (eight months interest) until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to their maturity, as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)	Due (April 1)	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number (d)
2024	\$ 225,000				2035	\$ 200,000 (c)			
2025	230,000				2036	225,000 (c)			
2026	200,000 (c)				2037	225,000 (c)			
2027	200,000 (c)				2038	225,000 (c)			
2028	200,000 (c)				2039	225,000 (c)			
2029	200,000 (c)				2040	225,000 (c)			
2030	200,000 (c)				2041	225,000 (c)			
2031	200,000 (c)				2042	225,000 (c)			
2032	200,000 (c)				2043	225,000 (c)			
2033	200,000 (c)				2044	225,000 (c)			
2034	200,000 (c)				2045	225,000 (c)			

- (a) The Initial Purchaser (as herein defined) may designate one or more maturities as term bonds. See accompanying “OFFICIAL NOTICE OF SALE” and “OFFICIAL BID FORM.”
- (b) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date. Accrued interest from August 1, 2020 is to be added to the price.
- (c) The Bonds maturing on and after April 1, 2026 are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on April 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (d) CUSIP Numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds, when issued, will constitute valid and legally binding obligations of First Colony Municipal Utility District No. 9 (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution) of the District’s waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about August 27, 2020.

BIDS DUE: THURSDAY, JULY 23, 2020, AT 1:15 P.M., HOUSTON TIME, HOUSTON, TEXAS
BID AWARD: THURSDAY, JULY 23, 2020 AT 4:00 P.M., HOUSTON TIME, MISSOURI CITY, TEXAS

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an “official statement” with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General..... The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)” federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available. However, they do not take into account the potential economic impact of the Pandemic on the District’s financial condition.

RECENT EXTREME WEATHER EVENTS; HURRICANE HARVEY

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

Impact on District..... The greater Houston area has experienced 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. According to Municipal Data Services, LLC (the “Operator”), and Jones & Carter, Inc. (the “Engineer”), the District’s water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey. See “THE SYSTEM.”

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

THE DISTRICT

- Description* The District was created by the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "TCEQ"), by order dated May 30, 1984. The District currently contains approximately 1,045 acres of land.
- Location* The District is located entirely within Fort Bend County, approximately 20 miles southwest of the central business district of the City of Houston and approximately three miles southeast of the intersection of U.S. Highway 59 and Texas State Highway 6. The District lies entirely within the corporate limits of the City of Missouri City, Texas (the "City"), within the boundaries of Fort Bend Independent School District and within the boundaries of the First Colony Levee Improvement District of Fort Bend County. See "THE DISTRICT" and "AERIAL PHOTOGRAPH" herein.
- Status of Development* Approximately 807 acres of land in the District are provided with water, sanitary sewer and drainage facilities as well as street paving. As of May 28, 2020, the District contained approximately 2,529 occupied single family connections, 13 vacant single-family connections, 68 commercial connections and 89 other connections. In addition to single family development, other improvements constructed in the District include an office park, a retirement/assisted living facility, several neighborhood retail shopping centers, four banking establishments, a Starbucks coffee shop, one Walgreens drug store, one CVS drug store, an Auto Zone, an H.E.B. Grocery Store, three gas stations, a car wash, three fast food restaurants, two mini storage facilities, four daycare centers, a fitness center, a Holiday Inn Express and a Hampton Inn, plus other retail and professional establishments. A portion of a Walmart is also located within the District. The District also includes an elementary school, a church site and a YMCA, each of which is exempt from taxation by the District. In addition, the District has approximately 37 acres of undeveloped land owned by various commercial entities which have not yet been provided with internal water, sanitary sewer and drainage facilities. A portion of such acreage has trunk utility service to certain tracts of land, and the extent of additional utility facilities required to be constructed will be dependent upon future usage. The District is not aware of any plans for development of this acreage at this time. The remaining 201 acres in the District is comprised of easements, road rights-of-way, District facilities and flood plain acreage. See "THE DISTRICT" and "THE SYSTEM."
- Payment Record* The District has previously issued sixteen series of waterworks and sewer system combination unlimited tax and revenue bonds (including four series of refunding bonds), of which an aggregate principal amount of \$6,645,000 is outstanding. The previously issued bonds are referred to collectively herein as the "Outstanding Bonds." The District has never defaulted in the timely payment of debt service on the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."

THE BONDS

Description \$4,705,000 First Colony Municipal Utility District No. 9, Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2020, dated August 1, 2020. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds will accrue from August 1, 2020 and will be payable April 1 and October 1 of each year commencing April 1, 2021 (eight months interest) until maturity or prior redemption and will be calculated on the basis of 360-day year consisting of twelve 30-day months. The Bonds maturing on and after April 1, 2026 are subject to optional redemption, in whole or, from time to time, in part, on April 1, 2025, or on any date thereafter, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. If fewer than all the Bonds are redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be selected by the District in integral multiples of \$5,000 in any one maturity. If fewer than all the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected by DTC in accordance with its procedures. See “THE BONDS—Book-Entry-Only System.” The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. See “THE BONDS.”

Book-Entry-Only System The Bonds will be registered in the name of, and delivered only to, Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See “BOOK-ENTRY- ONLY SYSTEM.”

Use of Proceeds Proceeds from the sale of the Bonds will be used to finance the costs of the following District projects: (1) Lift Stations Nos. 2, 3, 7, and 8 rehabilitation ; (2) sanitary sewer rehabilitation; (3) storm sewer rehabilitation; (4) water line replacement; (5) Water Plant No. 1 motor control center replacement; and (6) engineering and testing fees associated with such projects. Bond proceeds will also be used to capitalize six (6) months of interest and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM—Use and Distribution of Bond Proceeds.”

Authority for Issuance. The Bonds are issued by the District pursuant to a resolution of the Board of Directors of the District (the “Bond Resolution”) authorizing the issuance of the Bonds, the Texas Constitution, the general laws of the State of Texas and an election held within the boundaries of the District. See “THE BONDS—Authority for Issuance.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Resolution) of the District’s waterworks and sewer system (the “System”), to the extent and upon the conditions described herein. The System is not expected to produce sufficient Net Revenues to make any contribution to future debt service payments. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District. See “THE BONDS—Source and Security for Payment.”

Municipal Bond Insurance and

Municipal Bond Rating.... Application has been made to S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A+” to the Bonds. Application has also been made to various municipal bond insurance companies for qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser (as defined herein) and at the Initial Purchaser’s expense. The rating fee of S&P will be paid for by the District; payment of any other rating fee will be the responsibility of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”

Qualified Tax-Exempt Obligations The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2020 is not expected to exceed \$10,000,000. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

Bond Counsel..... Bacon & Wallace, LLP, Bond Counsel, Houston, Texas.

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

Financial Advisor Masterson Advisors LLC, Houston, Texas.

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

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION

2019 Certified Taxable Assessed Valuation	\$806,980,184	(a)
2020 Preliminary Taxable Assessed Valuation	\$884,928,719	(b)
Gross Direct Debt Outstanding.....	\$11,350,000	(c)
Estimated Overlapping Debt.....	<u>50,818,850</u>	(d)
Total Gross Direct Debt and Estimated Overlapping Debt.....	\$62,168,850	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	1.41%	
2020 Preliminary Taxable Assessed Valuation	1.28%	
Ratios of Gross Direct and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	7.70%	
2020 Preliminary Taxable Assessed Valuation	7.03%	
Operating Funds Available as of June 25, 2020	\$5,274,843	
Debt Service Funds Available as of June 25, 2020	\$2,067,626	(e)
2019 Debt Service Tax Rate	\$0.17	
2019 Maintenance Tax Rate	<u>0.05</u>	
Total	\$0.22	
Average Annual Debt Service Requirement (2021-2045)	\$513,650	(f)
Maximum Annual Debt Service Requirement (2021)	\$1,659,719	(f)
Tax Rates Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation	\$0.07	
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.07	
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation	\$0.22	
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.20	
Water Connections as of May 28, 2020 (g):		
Homes Completed (2,529 occupied)	2,542	
Commercial	68	
Other.....	89	
Estimated 2020 Population.....	8,852	(h)

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

(b) The District's 2020 Preliminary Taxable Assessed Valuation, which is a preliminary indication of the value to be certified as of January 1, 2020, has been provided by the Appraisal District. Such value is subject to review and downward adjustment prior to certification. No tax will be levied on such preliminary value until it has been certified by the Appraisal District. See "TAXING PROCEDURES."

(c) After the issuance of the Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."

(d) See "ESTIMATED OVERLAPPING DEBT"

(e) Six (6) months' interest will be capitalized from Bond Proceeds. In addition, accrued interest on the Bonds from their dated date to the date of delivery will be deposited to the Debt Service Fund. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

(f) See "DEBT SERVICE REQUIREMENTS."

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

(h) Based upon 3.5 persons per occupied home and 2.0 per multi-family unit.

PRELIMINARY OFFICIAL STATEMENT

\$4,705,000

FIRST COLONY MUNICIPAL UTILITY DISTRICT NO. 9

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

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS SERIES 2020

This Official Statement provides certain information in connection with the issuance by First Colony Municipal Utility District No. 9 (the “District”) of its \$4,705,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2020 (the “Bonds”).

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

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

THE BONDS

General

The Bonds are dated August 1, 2020 and mature on April 1 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from August 1, 2020, at the rates per annum shown on the cover hereof, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1 of each year, commencing April 1, 2021 (eight months interest) until the earlier of maturity or redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “the Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

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

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as 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, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owners as shown on the Bond Register (the "Register") kept by the Paying Agent/Registrar ("Registered Owners") on the fifteenth (15th) day (whether or not a business day) of the month prior to each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Register or by such other customary banking arrangements as may be agreed to 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 for Payment

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

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

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

Funds

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

Accrued interest on the Bonds plus an amount equal to six (6) months' interest on the bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, which is confirmed by the Bond Resolution, to be used for the purpose of paying for construction costs and for paying the costs of issuing the Bonds. See "THE SYSTEM—Use and Distribution of Bond Proceeds."

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2026, in whole or from time to time in part, on April 1, 2025, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "THE BONDS—Book-Entry-Only System." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Resolution.

By the redemption date, due provision shall be made with the Paying Agent/Registrar for payment of the principal of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

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

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration, Transfer and Exchange

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

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

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

Pursuant to Chapter 54 of the Texas Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for road powers nor calling a road bond election at this time.

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

Dissolution and Consolidation

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the District to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such 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 such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

THE DISTRICT

General

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

The District is a political subdivision of the State of Texas and is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes, after approval by the voters of the District. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District. Additionally, the District may, subject to certain undertakings, which have not occurred, develop and finance roads.

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

Description and Location

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

Status of Development

Development of the District consists of residential and commercial usages. As of May 28, 2020, approximately 807 acres of land in the District have been provided with water, sanitary sewer and drainage facilities. In addition, the District has approximately 37 acres of developable land which have not yet been provided with internal water, sanitary sewer and drainage facilities, although a portion of such acreage does have trunk utility service available. The extent of additional service required will be dependent upon its ultimate usage. The remaining 201 acres in the District are included in ditch easements, rights-of-way, District facilities, flood plain acreage drill sites and pipeline easements.

Residential Development

Single family residential development in the District includes Lake Colony Sections 1 through 4, Lexington Colony Sections 1 through 4, Oyster Creek Plantation Sections 1 and 2, Plantation Creek Sections 1 and 2, Plantation Park, Heritage Colony Sections 1 through 7, Plantation Trails at First Colony Sections 1 and 2, and Plantation Settlement Section 1 with an aggregate of 2,543 single family lots on approximately 712 acres of land. No new development or homebuilding is ongoing. As of May 28, 2020, the District contained 2,529 occupied single family connections and 13 vacant single-family connections.

Commercial/Retail Development

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

The District entered into an Interlocal Agreement with Thunderbird Utility District ("Thunderbird") related to approximately 20.8519 acres of land that is partially located within the boundaries of Thunderbird and partially not within either district. The District and Thunderbird have agreed to annex the property in phases into both districts, for the District to contract with the developer to finance the construction of the water, sanitary sewer and drainage facilities within the property and for Thunderbird to provide capacity and operate water and sewer facilities to service the property. The District also entered into an Agreement for Financing of Facilities with W. B. Murphy Road Development Partners, L.L.C., the developer of the property. The District has agreed to reimburse the developer in the future for the funds advanced to or on behalf of the District for the engineering fees and construction costs associated with the design and construction of the facilities to serve the property, to the extent allowed by the rules of the TCEQ. The first phase of the development, consisting of approximately 7.507 acres of land, was annexed by the District by Order Adding Land and Redefining Boundaries of the District, dated February 24, 2011. A retirement/assisted living facility has been constructed on such 7.507-acre tract.

Undeveloped Land in the District

The District includes approximately 37 acres of land owned by various commercial entities, a portion of which has been provided with trunk utility service. Such acreage has not yet been provided with internal utility facilities. The District is not aware of any plans for development of this acreage at this time. The remaining 201 acres of land in the District are included in easements, rights-of-way, stormwater detention facilities, and plant sites, and acreage not developable for various reasons.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

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

District Consultants

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

Bond Counsel/Attorney: The District has engaged Bacon & Wallace, L.L.P. as General Counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds.

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

Auditor: The District's audited financial statement for the fiscal year ended September 30, 2019, was prepared by McGrath & Co., PLLC. See APPENDIX A.

Engineer: The District's Consulting Engineer is Jones & Carter, Inc.

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

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

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

Utility System Operator: The Operator of the District's internal water and wastewater system is Municipal District Services, LLC.

THE SYSTEM

Regulation

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

Water Supply

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

Subsidence and Conversion to Surface Water Supply

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

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

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

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

The GRP fee currently being charged by the City is \$1.72 per 1,000 gallons pumped, and this fee is passed through to the District's customers as part of the District's monthly water and sewer bills. The rate is anticipated to increase in the future and the District cannot predict the amount or level of fees and charges, which may be due to the City in the future. The District may continue to pass such fees through to its customers through higher water rates or the District may pay for such fees with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the City will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water or will comply with the Subsidence District's surface water conversion requirements.

Wastewater Treatment

The District's wastewater is treated at a 3.0 million gallon per day ("mgd") wastewater treatment plant (the "Regional Plant"), lift station and force main which is owned and operated by the City to serve the Steep Bank/Flat Bank Creek Service Area, which area includes the District and a number of other participating districts. The District has the right to deliver and have treated at the Regional Plant 1.5 million gpd of permanent wastewater capacity. According to the District's Engineer, this amount of capacity will be sufficient to serve the District at full development under current regulatory criteria. The City has authorized design of a 1.5 mgd expansion to the Regional Plant. The District will not receive any additional capacity from such expansion.

Flood Protection and Drainage Facilities

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

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

100-Year Flood Plain

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

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

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$4,192,210 is estimated for construction costs, and \$512,790 is estimated for nonconstruction costs.

CONSTRUCTION COSTS

Lift Stations Nos. 2, 3, 7 and 8 Rehabilitation.....	\$ 1,044,000
Sanitary Sewer Rehabilitation	810,000
Storm Sewer Rehabilitation.....	760,000
Water Line Replacement.....	200,000
Water Plant No. 1 MCC Replacement.....	500,000
Contingencies.....	331,400
Engineering and Testing.....	546,810

Total Construction Costs **\$ 4,192,210**

NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 85,575
Financial Advisory Fees.....	62,050
Capitalized Interest (6 months at 5.00%) (a).....	117,625
Bond Discount (a).....	141,150
Bond Issuance Expenses.....	39,922
Bond Application Report.....	50,000
TCEQ Fee (0.25%).....	11,763
Attorney General Fee.....	4,705
Contingency (b).....	-

Total Non-Construction Costs **\$ 512,790**

TOTAL BOND ISSUE **\$ 4,705,000**

(a) The TCEQ approved a maximum of 3.00% bond discount and 6 months of capitalized interest estimated at 5.00%.

(b) Represents surplus funds resulting from the sale of the Bonds at a lower bond discount and interest rate than estimated and can be used for purposes allowed and approved by the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

WATER AND SEWER OPERATIONS

General

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

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's water and sewer system. Accounting principles customarily employed in the determination of net revenues for coverage of debt service have been observed and, in all instances, exclude depreciation. This summary has been prepared for inclusion herein based upon information obtained from the District's audited financial statements for September 30, 2016 through 2019, and an unaudited summary for the period ended May 31, 2020, as provided by the District's bookkeeper. Reference is made to these statements for further and complete information.

		Fiscal Year Ended September 30			
	10/1/2019 to 5/31/2020 (a)	2019	2018	2017	2016
REVENUES:					
Water Service	\$ 734,423	\$ 1,071,467	\$ 1,052,305	\$ 1,005,646	\$ 988,342
Sewer Service	845,870	1,224,633	1,217,178	1,202,038	1,253,331
Groundwater Reduction Fees	352,439	538,391	592,439	574,164	557,320
Property Taxes	395,123	236,802	229,772	225,267	207,972
Tap Connection and Inspection Fees	15,878	22,374	134,515	167,125	1,330
Capacity Charges	-	-	100,249	-	-
Investment Earnings	44,742	102,682	66,918	21,460	8,347
Penalty & Interest	24,518	37,597	35,339	34,902	44,025
Miscellaneous	10,165	16,146	13,343	34,347	29,393
TOTAL REVENUES	\$ 2,423,158	\$ 3,250,092	\$ 3,442,058	\$ 3,264,949	\$ 3,090,060
EXPENDITURES:					
Purchased Services	\$ 184,123	\$ 280,518	\$ 335,494	\$ 759,599	\$ 769,415
Professional Fees	271,918	149,606	120,119	90,500	99,518
Contracted Services	10,275	671,651	657,676	182,321	206,382
Utilities	323,800	91,788	136,473	101,270	104,189
Repairs & Maintenance	247,000	488,003	444,032	448,020	424,933
Groundwater Reduction Fees	348,001	550,456	571,398	562,097	531,942
Purchased Capacity	-	-	125,500	-	-
Administrative Expenditures	53,591	85,769	91,070	114,228	97,316
Other	11,517	16,968	15,877	-	-
Capital Outlay	638,509	230,461 (b)	10,000	505,657 (c)	161,993
TOTAL EXPENDITURES	\$ 2,088,734	\$ 2,565,220	\$ 2,507,639	\$ 2,763,692	\$ 2,395,688
NET REVENUES	\$ 334,424	\$ 684,872	\$ 934,419	\$ 501,257	\$ 694,372
FUND BALANCE,					
BEGINNING OF YEAR	\$ 5,106,548	\$ 4,808,255	\$ 4,073,836	\$ 3,772,579	\$ 3,275,885
OTHER FINANCING SOURCES (USES)	\$ (300,000) (d)	\$ (386,579) (e)	\$ (200,000) (d)	\$ (200,000) (d)	\$ (197,678) (d)
FUND BALANCE, END OF YEAR	\$ 5,140,972	\$ 5,106,548	\$ 4,808,255	\$ 4,073,836	\$ 3,772,579

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

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

(c) Sanitary sewer rehabilitation.

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

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

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 3.00%.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 1,417,016 (a)				\$ 1,417,016
2021	1,495,044		\$ 164,675	\$ 164,675	1,659,719
2022	1,429,175		141,150	141,150	1,570,325
2023	1,015,963		141,150	141,150	1,157,113
2024	203,250	\$ 225,000	137,775	362,775	566,025
2025	199,500	230,000	130,950	360,950	560,450
2026	195,750	200,000	124,500	324,500	520,250
2027	192,000	200,000	118,500	318,500	510,500
2028	188,250	200,000	112,500	312,500	500,750
2029	183,750	200,000	106,500	306,500	490,250
2030	179,250	200,000	100,500	300,500	479,750
2031	174,750	200,000	94,500	294,500	469,250
2032	170,250	200,000	88,500	288,500	458,750
2033	165,375	200,000	82,500	282,500	447,875
2034	160,500	200,000	76,500	276,500	437,000
2035	155,250	200,000	70,500	270,500	425,750
2036	-	225,000	64,125	289,125	289,125
2037	-	225,000	57,375	282,375	282,375
2038	-	225,000	50,625	275,625	275,625
2039	-	225,000	43,875	268,875	268,875
2040	-	225,000	37,125	262,125	262,125
2041	-	225,000	30,375	255,375	255,375
2042	-	225,000	23,625	248,625	248,625
2043	-	225,000	16,875	241,875	241,875
2044	-	225,000	10,125	235,125	235,125
2045	-	225,000	3,375	228,375	228,375
Total	\$ 7,525,072	\$ 4,705,000	\$ 2,028,200	\$ 6,733,200	\$ 14,258,272

(a) Excludes the District's April 1, 2020 debt service payment in the amount of \$112,015.63

Maximum Annual Debt Service Requirement (2021)	\$1,659,719
Average Annual Debt Service Requirements (2021-2045)	\$ 513,650

FINANCIAL STATEMENT

2019 Certified Taxable Assessed Valuation	\$806,980,184	(a)
2020 Preliminary Taxable Assessed Valuation	\$884,928,719	(b)

Gross Direct Debt Outstanding	\$11,350,000	(c)
Estimated Overlapping Debt	50,818,850	(d)
Total Gross Direct Debt and Estimated Overlapping Debt	\$62,168,850	

Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation	1.41%	
2020 Preliminary Taxable Assessed Valuation	1.28%	

Ratios of Gross Direct and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation	7.70%	
2020 Preliminary Taxable Assessed Valuation	7.03%	

Funds Available for Debt Service as of June 25, 2020	\$2,067,626	(e)
Funds Available for Operations and Maintenance as of June 25, 2020	\$5,274,843	

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) The District's 2020 Preliminary Taxable Assessed Valuation, which is a preliminary indication of the value to be certified as of January 1, 2020, has been provided by the Appraisal District. Such value is subject to review and downward adjustment prior to certification. No tax will be levied on such preliminary value until it has been certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds. See "Outstanding Bonds" below.
- (d) See "ESTIMATED OVERLAPPING DEBT."
- (e) Six (6) months interest will be capitalized from Bond Proceeds. In addition, accrued interest on the Bonds from their dated date to the date of delivery will be deposited to the Debt Service Fund. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Outstanding Bonds

Series	Original Principal Amount	Outstanding Bonds (as of 5/31/20)
2009 (a)	\$ 6,760,000	\$ 1,930,000
2011 (a)	6,280,000	1,940,000
2012	3,000,000	2,775,000
Total		\$ 6,645,000

- (a) Refunding bonds.

ESTIMATED OVERLAPPING DEBT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas or other publicly available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Fort Bend County.....	\$ 559,527,527	5/31/2020	1.13%	\$ 6,322,661
Fort Bend Independent School District.....	1,138,398,767	5/31/2020	1.91%	21,743,416
Houston Community College System.....	528,150,000	5/31/2020	0.38%	2,006,970
City of Missouri City.....	164,780,000	5/31/2020	12.59%	20,745,802
Total Estimated Overlapping Debt.....				\$ 50,818,850
The District.....	11,350,000 (a)	Current	100.00%	11,350,000
Total Direct and Estimated Overlapping Debt.....				\$ 62,168,850
Ratio of Estimated Direct and Overlapping Debt to 2019 Certified Taxable Assessed Valuation.....				7.70%
Ratio of Estimated Direct and Overlapping Debt to 2020 Preliminary Taxable Assessed Valuation.....				7.03%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2019

	2019 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Fort Bend County (a).....	\$ 0.460000
Missouri City.....	0.630000
Houston Community College System.....	0.100263
Fort Bend Independent School District.....	1.270000
First Colony Levee Improvement District.....	0.150000
Total Overlapping Tax Rate.....	\$ 2.610263
The District (b)	0.220000
Total Tax Rate.....	\$ 2.830263

(a) Includes Fort Bend County Drainage District.

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

TAX DATA

Debt Service Tax

The Board will covenant in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on the Bonds. The District levied a debt service tax for 2019 in the amount of \$0.17 per \$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electorate. Pursuant to an election held on August 11, 1984, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.25 per \$100 assessed valuation. The District levied a maintenance tax for 2019 at the rate of \$0.05 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.170	\$ 0.190	\$ 0.210	\$ 0.225	\$ 0.250
Maintenance and Operations	0.050	0.030	0.030	0.030	0.030
Total	\$ 0.220	\$ 0.220	\$ 0.240	\$ 0.255	\$ 0.280

Tax Rate Limitation

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

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections set forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to such records for further and more complete information. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Tax Year	Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of May 31, 2020	
				Amount	Percent
2015	\$ 696,504,575	\$ 0.280	\$ 1,950,213	\$ 1,947,266	99.85%
2016	752,136,795	0.255	1,917,949	1,914,212	99.81%
2017	771,727,233	0.240	1,852,145	1,847,672	99.76%
2018	792,854,702	0.220	1,744,281	1,737,367	99.60%
2019	806,980,184	0.220	1,775,356	1,740,359	98.03%

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

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of certified property comprising the 2017 through 2019 Certified Taxable Assessed Valuations. A breakdown of the 2020 Preliminary Taxable Assessed Valuation is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2019 Certified Taxable Assessed Valuation	2018 Certified Taxable Assessed Valuation	2017 Certified Taxable Assessed Valuation
Land	\$ 156,700,030	\$ 155,579,340	\$ 154,964,400
Improvements	663,159,606	647,898,920	628,561,798
Personal Property	26,132,012	26,840,835	23,594,967
Exemptions	(39,011,464)	(37,464,393)	(35,393,932)
Total	<u>\$ 806,980,184</u>	<u>\$ 792,854,702</u>	<u>\$ 771,727,233</u>

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property's certified assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$806,980,184, which represents certified ownership as of January 1, 2019. A principal taxpayer list related to the 2020 Preliminary Taxable Assessed Valuation is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

Taxpayer	Type of Property	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
La Paloma Blanca LC	HEB Grocery Store	\$ 9,783,260	1.21%
Yeluh LLC	Hotel	8,970,870	1.11%
K D Gotcher Ltd.	Rehabilitation Facility	8,045,137	1.00%
Sovran Acquisition Limited Partnership	Self Storage	7,155,625	0.89%
Texas Colony Plaza LLC	Movie Theater	6,861,930	0.85%
Irapak Investments LLC	Retail Strip Center	5,869,210	0.73%
Civitas Senior Healthcare LLC	Assisted Living Facility	5,637,860	0.70%
Colonial Group LP	Retail Strip Center	4,281,270	0.53%
MCC2013 LLC	Retail Strip Center	4,278,330	0.53%
JSN Hospitality Group Inc.	Hotel	4,150,000	0.51%
Total		<u>\$ 65,033,492</u>	<u>8.06%</u>

Tax Adequacy for Debt Service

The 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 debt service requirements if no growth in the District's tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$806,980,184 and the 2020 Preliminary Taxable Assessed Valuation of \$884,928,719. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "INVESTMENT CONSIDERATIONS—Maximum Impact on District Tax Rates."

Average Annual Debt Service Requirement (2021-2045)	\$513,650
\$0.07 Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections	\$536,642
\$0.07 Tax Rate on 2020 Preliminary Taxable Assessed Valuation at 95% collections	\$588,478
Maximum Annual Debt Service Requirement (2021)	\$1,659,719
\$0.22 Tax Rate on 2019 Certified Taxable Assessed Valuation at 95% collections	\$1,686,589
\$0.20 Tax Rate on 2020 Preliminary Taxable Assessed Valuation at 95% collections	\$1,681,365

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in

the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For tax year 2020, the District has granted an exemption of \$40,000 of assessed valuation for homesteads of persons 65 years of age or older and for certain disabled persons. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: Texas law authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000 if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. For tax year 2020, the District has not granted a residential homestead exemption. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, all taxable property in the District (other than any qualifying agricultural or timber land) must be appraised by the Fort Bend Central Appraisal District at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of lots or houses at inventory level in future years could reduce the assessed value of such property within the District. The Property Tax Code also requires the Chief Appraiser to reduce the market value of any property by the estimated cost of any remedial action by a property owner to correct, mitigate or prevent pollution.

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

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with

its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one-hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "ESTIMATED OVERLAPPING DEBT—Overlapping Taxes for 2019." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values and commercial activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in commercial activity and property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its ratings (see "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE"). The financial and operating data contained herein are the latest available. However, they do not take into account the economic impact of the Pandemic on the District's financial condition.

Potential Effects of Oil Price Declines on the Houston Area

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

Recent Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced 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. According to the Operator and the Engineer, the District's water, wastewater and drainage system did not sustain any material damage and there was no interruption of water and sewer service during Hurricane Harvey. Further, according to the Operator and the Engineer, no homes or other improvements within the District experience structural flooding or other material damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial and multi-family developments. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for properties of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Declines in the price of oil could adversely affect the demand for housing and commercial improvements and result in a decrease in assessed values.

Maximum Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their ad valorem taxes. The 2019 Certified Taxable Assessed Valuation of the District is \$806,980,184. See “FINANCIAL STATEMENT.” After issuance of the Bonds, the maximum annual debt service requirement will be \$1,659,719 (2021) and the average annual debt service requirement will be \$513,650 (2021-2045). Assuming no increase or decrease from the 2019 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.22 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,659,719 and a tax rate of \$0.07 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$513,650. See “DEBT SERVICE REQUIREMENTS.” The 2020 Preliminary Taxable Assessed Valuation within the District is \$884,928,719. Assuming no increase or decrease from the 2020 Preliminary Taxable Assessed Valuation and a 95% collection rate, tax rates of \$0.20 and \$0.07 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2019 Certified Taxable Assessed Valuation and the 2020 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event major taxpayers do not pay their District taxes timely. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Tax Collection Limitations

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

Registered Owners Remedies and Bankruptcy Limitations

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

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

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

The District may not be placed into bankruptcy involuntarily.

Future Debt

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

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

Environmental and Air Quality Regulations

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court’s ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The EPA published the NWPR in the Federal Register on April 21, 2020. The NWPR went into effect on June 22, 2020 and will likely become the subject of further litigation.

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

Future and Proposed Legislation

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

Continuing Compliance with Certain Covenants

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

Marketability of the Bonds

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations that relate to 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 description of “MUNICIPAL BOND RATING.”

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 Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing in the Official Statement under "THE BONDS," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—BOND COUNSEL/Attorney," "TAXING PROCEDURES," "LEGAL MATTERS (except for information under the subheading "Book-Entry-Only System")," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

No Material Adverse Change

The obligations of the Initial Purchaser 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 of the financial condition of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

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

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, "S" corporations with "subchapter C" earnings and profits, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their circumstances.

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of interests in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

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 for tax-exempt obligations issued in 2020.

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 2020 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 2020.

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

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 an underlying rating of "A+" to the Bonds. An explanation of the rating may be obtained from S&P. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Initial Purchaser and at the Initial Purchaser's expense. The rating fees of S&P will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

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

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 _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page of this Official Statement, at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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 Initial Purchaser 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 Initial Purchaser may over-allocate or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

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

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

Consultants

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

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

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

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

Auditor: The financial statements of the District as of and for the fiscal year ended September 30, 2019, included in this offering document, have been audited by McGrath & Co., PLLC, as stated in their report appearing herein. See “APPENDIX A.”

Bookkeeper: The information related to the unaudited summary of the District's General Operating Fund as it appears in “WATER AND SEWER OPERATIONS” has been provided by McLennan & Associates, L.P. 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 of Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the "FINANCIAL STATEMENT," "WATER AND SEWER OPERATIONS," "DEBT SERVICE REQUIREMENTS" and "TAX DATA," (most of which information is contained in the District's annual audit report) and in Appendix A (Audited Financial Statements). The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2020.

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

Material Event Notices

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

or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. Investors can access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the Holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of First Colony Municipal Utility District No. 9, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(Approximate boundaries as of June 2020)

FIRST COLONY MUNICIPAL
UTILITY DISTRICT NO. 9

F.M. 1092

Cartwright Rd.

Hwy 6

Austin Pkwy.



PHOTOGRAPHS OF THE DISTRICT
(As of June 2020)













APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2019

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

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2019

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McGRATH & CO., PLLC

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of First Colony Municipal Utility District No. 9, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of First Colony Municipal Utility District No. 9, as of September 30, 2019, 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 23, 2020

Management's Discussion and Analysis

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***First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019***

Using this Annual Report

Within this section of the financial report of First Colony Municipal Utility District No. 9 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019

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, 2019, was \$13,447,180. A comparative summary of the District's overall financial position, as of September 30, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 6,412,557	\$ 5,812,352
Capital assets	14,302,979	14,665,678
Total assets	20,715,536	20,478,030
Current liabilities	1,928,356	1,828,530
Long-term liabilities	5,340,000	6,645,000
Total liabilities	7,268,356	8,473,530
Net position		
Net investment in capital assets	7,657,979	6,700,678
Restricted	678,058	491,657
Unrestricted	5,111,143	4,812,165
Total net position	\$ 13,447,180	\$ 12,004,500

First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019

The total net position of the District increased during the current fiscal year by \$1,442,680. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes, penalties and interest	\$ 1,784,419	\$ 1,907,462
Water and sewer service	2,296,100	2,269,483
Other	717,159	933,677
Total revenues	<u>4,797,678</u>	<u>5,110,622</u>
Expenses		
Current service operations	2,403,028	2,565,644
Debt interest and fees	272,231	324,581
Depreciation	593,160	589,253
Total expenses	<u>3,268,419</u>	<u>3,479,478</u>
Change in net position before other item	1,529,259	1,631,144
Other item		
Write off of operating reserve	<u>(86,579)</u>	
Change in net position	1,442,680	1,631,144
Net position, beginning of year	12,004,500	10,373,356
Net position, end of year	<u>\$ 13,447,180</u>	<u>\$ 12,004,500</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2019, were \$5,728,096, which consists of \$5,106,548 in the General Fund and \$621,548 in the Debt Service Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2019 and 2018 is as follows:

	2019	2018
Total assets	<u>\$ 5,733,634</u>	<u>\$ 5,318,158</u>
Total liabilities	\$ 622,491	\$ 505,993
Total deferred inflows	4,595	3,910
Total fund balance	<u>5,106,548</u>	<u>4,808,255</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 5,733,634</u>	<u>\$ 5,318,158</u>

First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019

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

	2019	2018
Total revenues	\$ 3,250,092	\$ 3,442,058
Total expenditures	(2,565,220)	(2,507,639)
Revenues over expenditures	684,872	934,419
Other changes in fund balance	(386,579)	(200,000)
Net change in fund balance	\$ 298,293	\$ 734,419

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues in the District have remained fairly consistent from year to year.
- Water, sewer and groundwater reduction fee revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2019 and 2018 is as follows:

	2019	2018
Total assets	\$ 678,923	\$ 494,194
Total liabilities	\$ 865	\$ 2,537
Total deferred inflows	56,510	61,005
Total fund balance	621,548	430,652
Total liabilities, deferred inflows and fund balance	\$ 678,923	\$ 494,194

***First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019***

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

	2019	2018
Total revenues	\$ 1,551,396	\$ 1,649,138
Total expenditures	(1,660,500)	(1,952,586)
Revenues under expenditures	(109,104)	(303,448)
Other changes in fund balance	300,000	200,000
Net change in fund balance	\$ 190,896	\$ (103,448)

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

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

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 \$1,138,650 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019

Capital Assets

Capital assets held by the District at September 30, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets not being depreciated		
Land and improvements	\$ 162,747	\$ 162,747
Construction in progress	64,668	10,000
	<u>227,415</u>	<u>172,747</u>
Capital assets being depreciated		
Infrastructure	25,485,849	25,310,056
Less accumulated depreciation	<u>(11,410,285)</u>	<u>(10,817,125)</u>
Depreciable capital assets, net	<u>14,075,564</u>	<u>14,492,931</u>
Capital assets, net	<u><u>\$ 14,302,979</u></u>	<u><u>\$ 14,665,678</u></u>

Capital asset additions during the current year include the construction of gas generators to serve the lift station no. 1 and 2. The District's construction in progress is for the rehabilitation of lift stations no. 1, 5, and 6.

Long-Term Debt and Related Liabilities

At September 30, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2009 Refunding	\$ 1,930,000	\$ 2,520,000
2011 Refunding	1,940,000	2,445,000
2012	<u>2,775,000</u>	<u>3,000,000</u>
	<u><u>\$ 6,645,000</u></u>	<u><u>\$ 7,965,000</u></u>

At September 30, 2019, the District had \$4,705,000 combination unlimited tax and revenue bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$11,995,000 combination unlimited tax and revenue refunding bonds authorized, but unissued.

***First Colony Municipal Utility District No. 9
Management's Discussion and Analysis
September 30, 2019***

Next Year's Budget

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

	<u>2019 Actual</u>	<u>2020 Budget</u>
Total revenues	\$ 3,250,092	\$ 3,108,622
Total expenditures	<u>(2,565,220)</u>	<u>(3,632,926)</u>
Revenues over/(under) expenditures	684,872	(524,304)
Other changes in fund balance	<u>(386,579)</u>	<u>(300,000)</u>
Net change in fund balance	298,293	(824,304)
Beginning fund balance	<u>4,808,255</u>	<u>5,106,548</u>
Ending fund balance	<u>\$ 5,106,548</u>	<u>\$ 4,282,244</u>

During the current year, and consistent with prior years, the District transferred \$300,000 to the Debt Service Fund for payment of principal and interest. The District has budgeted \$300,000 to be transferred in the subsequent fiscal year.

Property Taxes

The District's property tax base increased approximately \$15,051,000 for the 2019 tax year from \$793,143,782 to \$808,194,486. This increase was primarily due to increased property values. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.05 per \$100 of assessed value and a debt service tax rate of \$0.17 per \$100 of assessed value, for a total combined tax rate of \$0.22 per \$100. Tax rates for the 2018 tax year were \$0.03 per \$100 for maintenance and operations and \$0.19 per \$100 for debt service for a combined total of \$0.22 per \$100 of assessed value.

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Basic Financial Statements

First Colony Municipal Utility District No. 9
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2019

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 998,598	\$ 25,546	\$ 1,024,144	\$ -	\$ 1,024,144
Investments	4,352,324	599,994	4,952,318		4,952,318
Taxes receivable, net	4,595	56,510	61,105		61,105
Customer service receivables, net	353,924		353,924		353,924
Internal balances	4,443	(4,443)			
Other receivables		1,316	1,316		1,316
Prepaid items	19,750		19,750		19,750
Capital assets not being depreciated				227,415	227,415
Capital assets, net				14,075,564	14,075,564
Total Assets	<u>\$ 5,733,634</u>	<u>\$ 678,923</u>	<u>\$ 6,412,557</u>	<u>14,302,979</u>	<u>20,715,536</u>
Liabilities					
Accounts payable	\$ 441,919	\$ 770	\$ 442,689		442,689
Other payables	9,222	95	9,317		9,317
Customer deposits	116,100		116,100		116,100
Unearned revenue	55,250		55,250		55,250
Long-term debt					
Due within one year				1,305,000	1,305,000
Due after one year				5,340,000	5,340,000
Total Liabilities	<u>622,491</u>	<u>865</u>	<u>623,356</u>	<u>6,645,000</u>	<u>7,268,356</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>4,595</u>	<u>56,510</u>	<u>61,105</u>	<u>(61,105)</u>	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	19,750		19,750	(19,750)	
Restricted		621,548	621,548	(621,548)	
Unassigned	5,086,798		5,086,798	(5,086,798)	
Total Fund Balances	<u>5,106,548</u>	<u>621,548</u>	<u>5,728,096</u>	<u>(5,728,096)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,733,634</u>	<u>\$ 678,923</u>	<u>\$ 6,412,557</u>		
Net Position					
Net investment in capital assets				7,657,979	7,657,979
Restricted for debt service				678,058	678,058
Unrestricted				5,111,143	5,111,143
Total Net Position				<u>\$ 13,447,180</u>	<u>\$ 13,447,180</u>

See notes to basic financial statements.

*First Colony Municipal Utility District No. 9**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances**For the Year Ended September 30, 2019*

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 1,071,467	\$ -	\$ 1,071,467	\$ -	\$ 1,071,467
Sewer service	1,224,633		1,224,633		1,224,633
Groundwater reduction fees	538,391		538,391		538,391
Property taxes	236,802	1,500,614	1,737,416	5,085	1,742,501
Penalties and interest	37,597	13,216	50,813	(8,895)	41,918
Tap connection and inspection	22,374		22,374		22,374
Miscellaneous	16,146		16,146		16,146
Investment earnings	102,682	37,566	140,248		140,248
Total Revenues	<u>3,250,092</u>	<u>1,551,396</u>	<u>4,801,488</u>	<u>(3,810)</u>	<u>4,797,678</u>
Expenditures/Expenses					
Current service operations					
Purchased services	280,518		280,518		280,518
Professional fees	149,606		149,606		149,606
Contracted services	671,651	58,817	730,468		730,468
Repairs and maintenance	488,003		488,003		488,003
Utilities	91,788		91,788		91,788
Groundwater reduction fees	550,456		550,456		550,456
Administrative	85,769	9,452	95,221		95,221
Other	16,968		16,968		16,968
Capital outlay	230,461		230,461	(230,461)	
Debt service					
Principal		1,320,000	1,320,000	(1,320,000)	
Interest and fees		272,231	272,231		272,231
Depreciation				593,160	593,160
Total Expenditures/Expenses	<u>2,565,220</u>	<u>1,660,500</u>	<u>4,225,720</u>	<u>(957,301)</u>	<u>3,268,419</u>
Revenues Over (Under) Expenses	684,872	(109,104)	575,768	953,491	1,529,259
Other Financing Sources/(Uses)					
Internal transfers	(300,000)	300,000			
Other Items					
Write off of operating reserve	<u>(86,579)</u>		<u>(86,579)</u>		<u>(86,579)</u>
Net Change in Fund Balances	298,293	190,896	489,189	(489,189)	
Change in Net Position				1,442,680	1,442,680
Fund Balance/Net Position					
Beginning of the year	4,808,255	430,652	5,238,907	6,765,593	12,004,500
End of the year	<u>\$ 5,106,548</u>	<u>\$ 621,548</u>	<u>\$ 5,728,096</u>	<u>\$ 7,719,084</u>	<u>\$ 13,447,180</u>

See notes to basic financial statements.

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First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

Creation

The District was organized, created and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated May 30, 1984, in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on June 12, 1984 and the first bonds were sold on August 5, 1984.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, allowances of \$1,917 and \$2,000 were provided for possible uncollectible property taxes and water/sewer accounts, respectively.

Interfund Activity

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

Capital Assets

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

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

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

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources (continued)

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$	5,728,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
Historical cost	\$	25,713,264	
Less accumulated depreciation		(11,410,285)	
Change due to capital assets			14,302,979
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.			(6,645,000)
Property taxes and penalties and interest that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds.			61,105
Total net position - governmental activities		\$	<u>13,447,180</u>

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

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	\$ 489,189
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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 and related penalties and interest.

(3,810)

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

Capital outlays	\$ 230,461	
Depreciation expense	(593,160)	
	<hr/>	(362,699)

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.

1,320,000

Change in net position of governmental activities	<hr/> <u>\$ 1,442,680</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.

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

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, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	\$ 1,693,340			
	Debt Service	212,695			
		<u>1,906,035</u>	38%	AAAm	34 days
Texas CLASS	General	2,658,984			
	Debt Service	387,299			
		<u>3,046,283</u>	62%	AAAm	50 days
Total		<u>\$ 4,952,318</u>	<u>100%</u>		

Note 3 – Deposits and Investments (continued)

TexPool

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

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

Texas CLASS

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

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

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

Investment Credit and Interest Rate Risk

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

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 4,443	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.

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

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

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2019, is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land and improvements	\$ 162,747	\$ -	\$ -	\$ 162,747
Construction in progress	10,000	64,668	(10,000)	64,668
	<u>172,747</u>	<u>64,668</u>	<u>(10,000)</u>	<u>227,415</u>
Capital assets being depreciated				
Infrastructure	25,310,056	175,793		25,485,849
Less accumulated depreciation	(10,817,125)	(593,160)		(11,410,285)
Subtotal depreciable capital assets, net	<u>14,492,931</u>	<u>(417,367)</u>		<u>14,075,564</u>
Capital assets, net	<u>\$ 14,665,678</u>	<u>\$ (352,699)</u>	<u>\$ (10,000)</u>	<u>\$ 14,302,979</u>

Depreciation expense for the current year was \$593,160.

The District has contractual commitments for construction projects as follows:

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Lift station no. 1, 5, and 6 rehabilitation	\$ 1,021,000	\$ -	\$ 1,021,000

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 6,645,000</u>
Due within one year	<u>\$ 1,305,000</u>

The District's bonds payable at September 30, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2009 Refunding	\$ 1,930,000	\$ 6,760,000	3.00% - 4.50%	October 1, 2010/2023	April 1, October 1	October 1, 2018
2011 Refunding	1,940,000	6,280,000	2.00% - 4.00%	October 1, 2012/2023	April 1, October 1	October 1, 2020
2012	2,775,000	3,000,000	2.00% - 3.50%	October 1, 2019/2035	April 1, October 1	October 1, 2019
	<u>\$ 6,645,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. The bonds are further payable from and secured by a pledge of and lien on certain net revenues of the District's waterworks and sewer system. 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, 2019, the District had \$4,705,000 combination unlimited tax and revenue bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$11,995,000 combination unlimited tax and revenue refunding bonds authorized, but unissued.

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

Bonds payable, beginning of year	\$ 7,965,000
Bonds retired	<u>(1,320,000)</u>
Bonds payable, end of year	<u>\$ 6,645,000</u>

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 6 – Long-Term Debt (continued)

The debt service payment due October 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of September 30, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 1,305,000	\$ 223,531	\$ 1,528,531
2021	1,315,000	180,044	1,495,044
2022	1,295,000	134,175	1,429,175
2023	930,000	85,962	1,015,962
2024	150,000	53,250	203,250
2025	150,000	49,500	199,500
2026	150,000	45,750	195,750
2027	150,000	42,000	192,000
2028	150,000	38,250	188,250
2029	150,000	33,750	183,750
2030	150,000	29,250	179,250
2031	150,000	24,750	174,750
2032	150,000	20,250	170,250
2033	150,000	15,375	165,375
2034	150,000	10,500	160,500
2035	150,000	5,250	155,250
	<u>\$ 6,645,000</u>	<u>\$ 991,587</u>	<u>\$ 7,636,587</u>

Note 7 – Property Taxes

On August 11, 1984, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$0.25 per \$100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$0.22 per \$100 of assessed value, of which \$0.03 was allocated to maintenance and operations and \$0.19 was allocated to debt service. The resulting tax levy was \$1,744,916 on the adjusted taxable value of \$793,143,782.

First Colony Municipal Utility District No. 9
Notes to Basic Financial Statements
September 30, 2019

Note 7 – Property Taxes (continued)

Net property taxes receivable, at September 30, 2019, consisted of the following:

Current year taxes receivable	\$ 14,732
Prior years taxes receivable	29,791
Less allowance for uncollectible accounts	<u>(1,917)</u>
	42,606
Penalty and interest receivable	<u>18,499</u>
Net property taxes receivable	<u><u>\$ 61,105</u></u>

Note 8 – Regional Waste Water Treatment Facilities Agreement

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

As of September 30, 2019, the City is in the process of reconciling its accounting records with regards to the regional wastewater treatment plant facilities. During this process, the City has not billed the District for wastewater treatment services since November 2018. Upon completion of this reconciliation, the City will bill the District for unbilled wastewater treatment services. During the current year, the District recognized \$280,518 of expenditures pursuant to this agreement, which includes an estimated accrual of \$259,069 for unbilled services.

Note 9 – Surface Water Contract

Effective July 1, 2008, the District entered into a Joint Groundwater Reduction Plan Participant Agreement (the "Agreement") with the City of Missouri City (the "City") in order to meet regulatory compliance requirements of the Fort Bend Subsidence District (the "Subsidence District"). The Agreement continues until December 31, 2058. Under the terms of the Agreement, the City is the manager of the Groundwater Reduction Plan (the "GRP") that includes the District as a participant. In order to achieve overall compliance with the Subsidence District regulation for reduction of groundwater use in Regulatory Area A, treated surface water will be supplied by the City to some of the participants in the GRP area in sufficient quantities to meet the requirements. Under the terms of the Agreement, the District will pay to the City a monthly pumpage charge based on the District's water pumpage. In accordance with this provision, as of September 30, 2019, the city had established a well pumpage fee of \$1.72 per 1,000 gallons of water pumped from each regulated well. The surface water pumpage fees incurred by the District to the City for the fiscal year ended September 30, 2019, were \$550,456. In order to accumulate funds to pay for the conversion to surface water, the District began billing its customers for this conversion. The District billed its customers \$538,391 for surface water fees during the fiscal year ended September 30, 2019.

Note 10 – Interlocal Agreement with Thunderbird Utility District

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

Note 11 – Risk Management

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

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Required Supplementary Information

First Colony Municipal Utility District No. 9

Required Supplementary Information - Budgetary Comparison Schedule - General Fund

For the Year Ended September 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Water service	\$ 1,000,000	\$ 1,071,467	\$ 71,467
Sewer service	1,250,000	1,224,633	(25,367)
Groundwater reduction fees	550,000	538,391	(11,609)
Property taxes	225,039	236,802	11,763
Penalties and interest	24,000	37,597	13,597
Tap connection and inspection	40,500	22,374	(18,126)
Miscellaneous	14,400	16,146	1,746
Investment earnings	60,000	102,682	42,682
Total Revenues	<u>3,163,939</u>	<u>3,250,092</u>	<u>86,153</u>
Expenditures			
Current service operations			
Purchased services	346,424	280,518	65,906
Professional fees	90,400	149,606	(59,206)
Contracted services	637,453	671,651	(34,198)
Repairs and maintenance	495,800	488,003	7,797
Utilities	110,000	91,788	18,212
Groundwater reduction fees	600,000	550,456	49,544
Administrative	104,519	85,769	18,750
Other	19,700	16,968	2,732
Capital outlay	<u>1,300,000</u>	<u>230,461</u>	<u>1,069,539</u>
Total Expenditures	<u>3,704,296</u>	<u>2,565,220</u>	<u>1,139,076</u>
Revenues Over (Under) Expenditures	(540,357)	684,872	1,225,229
Other Financing Uses			
Internal transfers	(300,000)	(300,000)	
Other Items			
Write off of operating reserve		(86,579)	(86,579)
Net Change in Fund Balance	(840,357)	298,293	1,138,650
Fund Balance			
Beginning of the year	<u>4,808,255</u>	<u>4,808,255</u>	
End of the year	<u>\$ 3,967,898</u>	<u>\$ 5,106,548</u>	<u>\$ 1,138,650</u>

First Colony Municipal Utility District No. 9
Notes to Required Supplementary Information
September 30, 2019

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

First Colony Municipal Utility District No. 9

TSI-1. Services and Rates

September 30, 2019

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

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

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels	
Water:	\$ 7.00	-	N	\$ 2.25	0	to 10,000
				\$ 3.25	10,001	to 20,000
				\$ 3.75	20,001	to No limit
Wastewater/Garbage:	\$ 35.67	-	Y	\$ -	0	to No limit
GRP Fee	\$ 1.892	-	N	\$ 1.892	0	to No limit

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

Total charges per 10,000 gallons usage: Water \$ 48.42 Wastewater \$ 35.67

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCS
Unmetered			x 1.0	
less than 3/4"	2,546	2,534	x 1.0	2,534
1"	55	54	x 2.5	135
1.5"	19	18	x 5.0	90
2"	73	71	x 8.0	568
3"	4	4	x 15.0	60
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	2,697	2,681		3,387
Total Wastewater	2,608	2,596	x 1.0	2,596

See accompanying auditor's report.

First Colony Municipal Utility District No. 9
TSI-1. Services and Rates
September 30, 2019

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
(You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>321,092,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>297,399,000</u>	<u>92.62%</u>

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

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

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

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

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

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2019

Purchased services	<u>\$ 280,518</u>
Professional fees	
Legal	70,750
Audit	11,000
Engineering	67,856
	<u>149,606</u>
Contracted services	
Bookkeeping	19,425
Operator	178,910
Garbage collection	453,152
Tap connection and inspection	20,164
	<u>671,651</u>
Repairs and maintenance	<u>488,003</u>
Utilities	<u>91,788</u>
Groundwater reduction fees	<u>550,456</u>
Administrative	
Directors fees	15,450
Printing and office supplies	27,831
Insurance	19,328
Other	23,160
	<u>85,769</u>
Other	<u>16,968</u>
Capital outlay	<u>230,461</u>
Total expenditures	<u><u>\$ 2,565,220</u></u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-3. Investments
September 30, 2019

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexPool	Variable	N/A	\$ 1,693,340
Texas CLASS	Variable	N/A	2,658,984
			<u>4,352,324</u>
Debt Service			
TexPool	Variable	N/A	212,695
Texas CLASS	Variable	N/A	387,299
			<u>599,994</u>
Total - All Funds			<u>\$ 4,952,318</u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-4. Taxes Levied and Receivable
September 30, 2019

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,750	\$ 33,770	\$ 37,520	
Adjustments	(296)	(2,118)	(2,414)	
Adjusted Receivable	3,454	31,652	35,106	
2018 Original Tax Levy	237,722	1,505,571	1,743,293	
Adjustments	221	1,402	1,623	
Adjusted Tax Levy	237,943	1,506,973	1,744,916	
Total to be accounted for	241,397	1,538,625	1,780,022	
Tax collections:				
Current year	235,934	1,494,250	1,730,184	
Prior years	868	6,364	7,232	
Total Collections	236,802	1,500,614	1,737,416	
Taxes Receivable, End of Year	\$ 4,595	\$ 38,011	\$ 42,606	
Taxes Receivable, By Years				
2018	\$ 2,009	\$ 12,723	\$ 14,732	
2017	702	4,912	5,614	
2016	574	4,309	4,883	
2015 and prior	1,310	16,067	17,377	
Taxes Receivable, End of Year	\$ 4,595	\$ 38,011	\$ 42,606	
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 155,579,340	\$ 154,964,400	\$ 154,203,780	\$ 154,059,440
Improvements	648,340,570	628,564,458	604,719,030	552,096,060
Personal Property	26,929,915	23,594,967	25,650,870	21,616,481
Exemptions	(37,706,043)	(35,233,932)	(32,460,665)	(31,302,056)
Total Property Valuations	\$ 793,143,782	\$ 771,889,893	\$ 752,113,015	\$ 696,469,925
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.030	\$ 0.030	\$ 0.030	\$ 0.030
Debt service tax rates	0.190	0.210	0.225	0.250
Total Tax Rates per \$100 Valuation	\$ 0.220	\$ 0.240	\$ 0.255	\$ 0.280
Adjusted Tax Levy:	\$ 1,744,916	\$ 1,852,536	\$ 1,917,888	\$ 1,950,116
Percentage of Taxes Collected to Taxes Levied **	99.16%	99.70%	99.75%	99.83%

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

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

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-5. Long-Term Debt Service Requirements
Series 2009 Refunding--by Years
September 30, 2019

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2020	\$ 585,000	\$ 79,844	\$ 664,844
2021	575,000	56,444	631,444
2022	565,000	32,725	597,725
2023	205,000	8,712	213,712
	<u>\$ 1,930,000</u>	<u>\$ 177,725</u>	<u>\$ 2,107,725</u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-5. Long-Term Debt Service Requirements
Series 2011 Refunding--by Years
September 30, 2019

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2020	\$ 495,000	\$ 71,437	\$ 566,437
2021	490,000	55,350	545,350
2022	480,000	38,200	518,200
2023	475,000	19,000	494,000
	<u>\$ 1,940,000</u>	<u>\$ 183,987</u>	<u>\$ 2,123,987</u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-5. Long-Term Debt Service Requirements
Series 2012--by Years
September 30, 2019

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2020	\$ 225,000	\$ 72,250	\$ 297,250
2021	250,000	68,250	318,250
2022	250,000	63,250	313,250
2023	250,000	58,250	308,250
2024	150,000	53,250	203,250
2025	150,000	49,500	199,500
2026	150,000	45,750	195,750
2027	150,000	42,000	192,000
2028	150,000	38,250	188,250
2029	150,000	33,750	183,750
2030	150,000	29,250	179,250
2031	150,000	24,750	174,750
2032	150,000	20,250	170,250
2033	150,000	15,375	165,375
2034	150,000	10,500	160,500
2035	150,000	5,250	155,250
	<u>\$ 2,775,000</u>	<u>\$ 629,875</u>	<u>\$ 3,404,875</u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2019

Due During Fiscal Years Ending	Principal Due October 1	Interest Due April 1, October 1	Total
2020	\$ 1,305,000	\$ 223,531	\$ 1,528,531
2021	1,315,000	180,044	1,495,044
2022	1,295,000	134,175	1,429,175
2023	930,000	85,962	1,015,962
2024	150,000	53,250	203,250
2025	150,000	49,500	199,500
2026	150,000	45,750	195,750
2027	150,000	42,000	192,000
2028	150,000	38,250	188,250
2029	150,000	33,750	183,750
2030	150,000	29,250	179,250
2031	150,000	24,750	174,750
2032	150,000	20,250	170,250
2033	150,000	15,375	165,375
2034	150,000	10,500	160,500
2035	150,000	5,250	155,250
	<u>\$ 6,645,000</u>	<u>\$ 991,587</u>	<u>\$ 7,636,587</u>

See accompanying auditors' report.

First Colony Municipal Utility District No. 9
TSI-6. Change in Long-Term Bonded Debt
September 30, 2019

	Bond Issue			Totals
	Series 2009 Refunding	Series 2011 Refunding	Series 2012	
Interest rate	3.00% - 4.50%	2.00% - 4.00%	2.00% - 3.50%	
Dates interest payable	4/1; 10/1	4/1; 10/1	4/1; 10/1	
Maturity dates	10/1/10 - 10/1/23	10/1/12 - 10/1/23	10/1/19 - 10/1/35	
Beginning bonds outstanding	\$ 2,520,000	\$ 2,445,000	\$ 3,000,000	\$ 7,965,000
Bonds retired	<u>(590,000)</u>	<u>(505,000)</u>	<u>(225,000)</u>	<u>(1,320,000)</u>
Ending bonds outstanding	<u>\$ 1,930,000</u>	<u>\$ 1,940,000</u>	<u>\$ 2,775,000</u>	<u>\$ 6,645,000</u>
Interest paid during fiscal year	<u>\$ 106,394</u>	<u>\$ 86,588</u>	<u>\$ 77,250</u>	<u>\$ 270,232</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds</u>		
Amount Authorized by Voters	\$ 36,340,000	\$ 14,000,000		
Amount Issued	<u>(31,635,000)</u>	<u>(2,005,000)</u>		
Remaining To Be Issued	<u>\$ 4,705,000</u>	<u>\$ 11,995,000</u>		

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of September 30, 2019: \$ 625,540

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 477,287

See accompanying auditors' report.

First Colony Municipal Utility District No. 9

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

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 1,071,467	\$ 1,052,305	\$ 1,005,646	\$ 988,342	\$ 952,161
Sewer service	1,224,633	1,217,178	1,202,038	1,253,331	1,427,968
Groundwater reduction fees	538,391	592,439	574,164	557,320	548,609
Property taxes	236,802	229,772	225,267	207,972	124,595
Penalties and interest	37,597	35,339	34,902	44,025	42,043
Tap connection and inspection	22,374	134,515	167,125	1,330	32,370
Capacity charges		100,249			
Miscellaneous	16,146	13,343	34,347	29,393	22,729
Investment earnings	102,682	66,918	21,460	8,347	4,220
Total Revenues	3,250,092	3,442,058	3,264,949	3,090,060	3,154,695
Expenditures					
Current service operations					
Purchased services	280,518	335,494	759,599	769,415	982,930
Professional fees	149,606	120,119	90,500	99,518	97,188
Contracted services	671,651	657,676	182,321	206,382	245,616
Repairs and maintenance	488,003	444,032	448,020	424,933	331,126
Utilities	91,788	136,473	101,270	104,189	105,575
Groundwater reduction fees	550,456	571,398	562,097	531,942	529,601
Purchased capacity		125,500			
Administrative	85,769	91,070	114,228	97,316	105,087
Other	16,968	15,877			
Capital outlay	230,461	10,000	505,657	161,993	1,318
Total Expenditures	2,565,220	2,507,639	2,763,692	2,395,688	2,398,441
Revenues Over Expenditures	\$ 684,872	\$ 934,419	\$ 501,257	\$ 694,372	\$ 756,254

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
33%	30%	30%	32%	31%
38%	36%	37%	41%	45%
17%	17%	18%	18%	17%
7%	7%	7%	7%	4%
1%	1%	1%	1%	1%
1%	4%	5%	*	1%
	3%			
*	*	1%	1%	1%
3%	2%	1%	*	*
100%	100%	100%	100%	100%
9%	10%	23%	25%	31%
5%	3%	3%	3%	3%
21%	19%	6%	7%	8%
15%	13%	14%	14%	10%
3%	4%	3%	3%	3%
17%	17%	17%	17%	17%
	4%			
3%	3%	3%	3%	3%
1%	*			
7%	*	15%	5%	*
81%	73%	84%	77%	75%
19%	27%	16%	23%	25%

First Colony Municipal Utility District No. 9

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 1,500,614	\$ 1,611,574	\$ 1,690,837	\$ 1,738,510	\$ 1,742,772
Penalties and interest	13,216	11,351	14,505	12,539	10,814
Miscellaneous		94			
Investment earnings	37,566	26,119	14,102	4,874	1,448
Total Revenues	<u>1,551,396</u>	<u>1,649,138</u>	<u>1,719,444</u>	<u>1,755,923</u>	<u>1,755,034</u>
Expenditures					
Tax collection services	68,269	68,005	68,731	69,989	60,867
Debt service					
Principal	1,320,000	1,560,000	1,720,000	1,305,000	1,265,000
Debt interest and fees	272,231	324,581	374,369	415,883	461,919
Total Expenditures	<u>1,660,500</u>	<u>1,952,586</u>	<u>2,163,100</u>	<u>1,790,872</u>	<u>1,787,786</u>
Revenues Under Expenditures	<u>\$ (109,104)</u>	<u>\$ (303,448)</u>	<u>\$ (443,656)</u>	<u>\$ (34,949)</u>	<u>\$ (32,752)</u>
Total Active Retail Water Connections	<u>2,681</u>	<u>2,677</u>	<u>2,686</u>	<u>2,668</u>	<u>2,664</u>
Total Active Retail Wastewater Connections	<u>2,596</u>	<u>2,592</u>	<u>2,599</u>		

*Percentage is negligible

**Total Active Retail Wastewater Connections for 2016 and 2015 were combined with Water Connections.

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
97%	97%	98%	99%	99%
1%	1%	1%	1%	1%
	*			
2%	2%	1%	*	*
100%	100%	100%	100%	100%
4%	4%	4%	4%	3%
85%	95%	100%	74%	72%
18%	20%	22%	24%	26%
107%	119%	126%	102%	101%
(7%)	(19%)	(26%)	(2%)	(1%)

First Colony Municipal Utility District No. 9
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2019

Complete District Mailing Address: 6363 Woodway, Ste. 800, Houston, TX 77057

District Business Telephone Number: (713) 739-1060

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): June 14, 2018

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Rod Castells	05/18 to 05/22	\$ 7,050	\$ 20	President
Gary Perry	05/16 to 05/20	3,150	906	Vice President
Marguerite Burton	05/18 to 05/22	2,250	783	Secretary/ Investment Officer
Randall Grogan	05/18 to 05/22	1,200		Assistant Secretary/ Treasurer
Carl Brown	01/18 to 05/20	1,800		Director
Consultants		Amounts Paid		
Bacon & Wallace L.L.P.	01/01	68,905		Attorney
Municipal District Services, LLC	05/15	665,161		Operator
McLennan & Associates	05/04	20,148		Bookkeeper
Tax Tech, Inc	04/00	46,776		Tax Collector
Fort Bend Central Appraisal District	Appointed	12,040		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/96	3,098		Delinquent Tax Attorney
Costello, Inc	11/97	93,997		Former Engineer
Jones & Carter	04/19	45,526		Engineer
McGrath & Co. PLLC	2018	11,000		Auditor
Masterson Advisors, LLC	04/18			Financial Advisor

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