

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 12, 2021**

This Preliminary Official Statement is subject to completion and amendment. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Underwriter.

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 AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

**NEW ISSUE - Book-Entry-Only**

Rating: Moody's "A3"

See "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE" herein.

**\$4,600,000\***

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 172**

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

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 172 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Fulshear or any entity other than the District.

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

**Dated: June 1, 2021**

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

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

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

**MATURITY SCHEDULE**

Due (Sept. 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (Sept. 1)	Principal Amount*	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2022	\$ 220,000				2030	\$ 295,000 (c)			
2023	230,000				2031	300,000 (c)			
2024	240,000				2032	310,000 (c)			
2025	250,000				2033	315,000 (c)			
2026	260,000				2034	325,000 (c)			
2027	270,000 (c)				2035	335,000 (c)			
2028	275,000 (c)				2036	340,000 (c)			
2029	285,000 (c)				2037	350,000 (c)			

- (a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on or after September 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2026, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 9, 2021.

**BAIRD**

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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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, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of duplication costs.

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

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

#### *Description...*

Fort Bend County Municipal Utility District No. 172 (the “District”) is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) on August 28, 2007, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 910 acres of land. See “THE DISTRICT.”

#### *Location...*

The District is located approximately 31 miles west of the central downtown business district of the City of Houston, Texas in Fort Bend County. The District lies wholly within the city limits of the City of Fulshear (the “City”) and within the boundaries of the Katy Independent School District. The District is located north of FM 1093 and west of the Grand Parkway and FM 1463. See “THE DISTRICT—Description and Location.”

#### *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. 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 or homebuilding activity 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 operation and maintenance expenses, annual debt service requirement on the Contract Revenue Bonds (as hereinafter defined) issued by the Master District (as hereinafter defined) to finance regional facilities and the Master District’s operation and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19).”

#### *Recent Extreme Weather Events...*

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

The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days.

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

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District 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.”

*Cross Creek Ranch...*

The District is part of a development project known as Cross Creek Ranch covering approximately 3,200 acres of land and planned for approximately 5,500 to 6,000 single-family homes. The Cross Creek Ranch project consists of five municipal utility districts: Fort Bend County Municipal Utility District No. 169 (“No. 169”), Fort Bend County Municipal Utility District No. 170 (“No. 170”), Fort Bend County Municipal Utility District No. 171 (“No. 171”), the District, and Fort Bend County Municipal Utility District No. 173 (“No. 173”). No. 169 in its capacity as a participant district, No. 170, No. 171, No. 173, and the District are referred to herein collectively as the “MUD Participants.”

*The Developers...*

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

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

No landowner, developer or any of their respective affiliates, is obligated to pay any principal of or interest on the Bonds. See “THE DEVELOPERS.”

*Homebuilders...*

Homebuilders in the District include Trendmaker Homes, Perry Homes, Village Builders, Ashton Woods Homes, Newmark Homes, Taylor Morrison, Plantation Homes and David Weekley Homes. See “THE DISTRICT—Homebuilding.”

*Status of Development...*

Development in the District currently consists of the subdivisions Creek Bend at Cross Creek Ranch Sections 1 through 13, Creek Cove at Cross Creek Ranch Sections 1 through 6, Creek Cove at Cross Creek Ranch Sections 8 and 9, Creek Cove at Cross Creek Ranch Sections 12 through 16, and Legacy at Cross Creek Ranch, Sections 3 and 4 totaling 1,648 single-family residential lots on approximately 737 acres. As of March 30, 2021, there were 1,531 homes completed and occupied in the District, 13 homes completed and unoccupied, 26 homes under construction (22 of which are sold and 4 of which are for sale), and 78 developed lots available for home construction. Homes constructed within the District have a price range of approximately \$200,000 to over \$800,000 (including the lot).

James E. Randolph Elementary School has been constructed on approximately 14 acres and is exempt from the payment of property taxes. A CVS Pharmacy, the Children's Lighthouse Daycare Center, 2 phases of a shopping center, an office development and a veterinary clinic have been constructed on approximately 12 acres of land. An Aldi's Grocery Store and adjacent shopping center have been constructed on approximately 10 acres of land. A dog park has been constructed on approximately 10 acres of land.

There are approximately 127 acres in the District that are not developable, including major streets, pipeline easements, plant sites, detention, drill sites, and open space. See "THE DISTRICT—Land Use—Status of Development."

*Facilities...*

Pursuant to a Utility Agreement between the District and the City, the District constructs the water, sanitary sewer, and drainage facilities internal to the District that serve only the District and conveys said facilities to the City for operation and maintenance by the City. No. 169, in its capacity as the provider of regional water, sanitary sewer, drainage, park/recreational and road facilities that are arterial, collector or thoroughfare roads (hereinafter collectively referred to as the "Master District Facilities"), has contracted with the District to construct and provide service from the Master District Facilities. See "INVESTMENT CONSIDERATIONS—Maximum Impact on Tax Rate—Overlapping Debt and Taxes" and "THE SYSTEM—The Master District—Master District Facilities" and "THE DISTRICT—Utility Agreement with the City." No. 169, in its capacity as provider of the Master District Facilities, is referred to herein as the "Master District." Pursuant to a Utility Agreement between the Master District and the City, the Master District conveys certain water, sewer and drainage facilities constituting Master District Facilities to the City for operation and maintenance by the City. The Master District retains operation and maintenance responsibilities for regional park/recreational facilities, non-potable water facilities, and detention pond and drainage ditch facilities constructed by the Master District. With respect to roads constructed by the Master District, the City has to date accepted roads for operation and maintenance.

*Payment Record...*

The District has previously issued six series of unlimited tax bonds for water, sewer and drainage facilities, of which \$27,130,000 principal amount was outstanding as of April 1, 2021 and one series of unlimited tax park bonds, of which \$4,300,000 principal amount was outstanding as of April 1, 2021 (collectively the "Outstanding Bonds"). The District has never defaulted on the payment of principal or interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)."

## **THE BONDS**

*Description...*

The \$4,600,000\* Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board") as fully registered bonds. The Bonds are scheduled to mature serially on September 1 in the years 2022 through 2037, inclusive, in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

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\*Preliminary; subject to change.

<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY-SYSTEM.”
<i>Redemption...</i>	Bonds maturing on or after September 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2026, or on any date thereafter at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with lawfully available debt service funds, if any, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$4,410,000* of the Outstanding Bonds in order to achieve net savings in the District's annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$27,020,000* principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING—Refunded Bonds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
<i>Authority for Issuance...</i>	The Bonds are being issued out of an aggregate of \$171,878,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing water, sewer and drainage facilities and refunding of such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, an election held within the District, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS —Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Fort Bend County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	Application has been made to Moody's Investors Service (“Moody's”) for an underlying rating on the Bonds and a rating of “A3” has been assigned 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 District at the District's expense. The rating fee of Moody's will be paid for by the District; payment of any other rating fee will be the responsibility of the Underwriter. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations...</i>	The District will designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas.
<i>Underwriter's Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

*Escrow Agent...*

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

*Verification Agent...*

Public Finance Partners LLC Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

### **INVESTMENT CONSIDERATIONS**

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

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Certified Taxable Assessed Valuation .....	\$706,469,382	(a)
2021 Preliminary Taxable Assessed Valuation .....	\$834,551,008	(b)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds) .....	\$31,620,000*	
Estimated Overlapping Debt .....	96,991,685	(c)
Gross Direct Debt and Estimated Overlapping Debt .....	\$128,611,685*	
Ratios of Gross Direct Debt to:		
2020 Certified Taxable Assessed Valuation .....	4.48%*	
2021 Preliminary Taxable Assessed Valuation.....	3.79%*	
Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Certified Taxable Assessed Valuation .....	18.20%*	
2021 Preliminary Taxable Assessed Valuation.....	15.41%*	
Operating Fund Balance as of April 12, 2021 .....	\$2,702,994	
Capital Projects Fund Balance as of April 12, 2021 .....	\$548,813	
Debt Service Fund Balance as of April 12, 2021 .....	\$3,704,995	(d)
Contract Tax Fund Balance as of April 12, 2021 .....	\$3,426,050	
2020 Tax Rate:		
Debt Service .....	\$ 0.2650	
Contract .....	0.6950	
Maintenance and Operations.....	0.1300	
Total.....	\$1.0900	(e)
Estimated Maximum Annual Debt Service Requirements (2033) of the Bonds and the		
Remaining Outstanding Bonds ("Maximum Annual Requirement") .....	\$2,197,231*	(f)
Estimated Average Annual Debt Service Requirements (2022-2043) of the Bonds and the		
Remaining Outstanding Bonds ("Average Annual Requirement") .....	\$1,917,664*	(f)
Tax rate required to pay Maximum Annual Requirement based upon:		
2020 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.33*	(g)
2021 Preliminary Taxable Assessed Valuation at a 95% collection rate .....	\$0.28*	(g)
Tax rate required to pay Average Annual Requirement based upon:		
2020 Certified Taxable Assessed Valuation at a 95% collection rate .....	\$0.29*	(g)
2021 Preliminary Taxable Assessed Valuation at a 95% collection rate .....	\$0.25*	(g)
Status of Development as of March 30, 2021 (h):		
Homes Completed (1,531 completed and occupied, 13 completed and unoccupied) .....	1,544	
Homes Under Construction .....	26	
Lots Available for Home Construction .....	78	
Estimated Population .....	5,359	(i)

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

(b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(d) The District intends to apply approximately \$65,000\* of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of funds." Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.

(e) Property owners in the District also pay taxes to the City of Fulshear. The City of Fulshear's 2020 Tax Rate is \$0.207070. See "DEBT SERVICE REQUIREMENTS."

(f) See "DEBT SERVICE REQUIREMENTS."

(g) Pursuant to a Utility Agreement, as amended, between the District and the City, the City will pay to the District an Annual Payment (as defined herein), which based on the City's 2020 Tax Rate is equal to 0.062510% times the taxable assessed value for all property within the District on the City's tax rolls. The Annual Payment will be calculated by the City annually and adjusted based on the City's tax rate as described herein. The Utility Agreement does not require the District to pledge the Annual Payment for payment of bonds or for any other purpose. Therefore, the Annual Payment is subject to modification by agreement of the District and the City. The Annual Payment is required to be deposited in the District's debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District's internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment is not included in these calculations. See "THE DISTRICT – Utility Agreement with the City – Annual Payment."

(h) See "THE DISTRICT—Land Use—Status of Development."

(i) Based upon 3.5 persons per occupied single-family residence.



## **PRELIMINARY OFFICIAL STATEMENT**

**\$4,600,000\***

### **FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 172**

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

### **UNLIMITED TAX REFUNDING BONDS SERIES 2021**

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 172 (the “District”) of its \$4,600,000\* Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an election held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, CCR Texas Holdings, LP (“CCR Texas”), CCR Loan Subsidiary 1, L.P. (“CCR Subsidiary”), Johnson CCR Management LLC and development activity in the District. CCR Texas and CCR Subsidiary are collectively referred to herein as the “Developers”. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

## **PLAN OF FINANCING**

### **Purpose**

At a bond election held within the District on May 8, 2010, voters of the District authorized the issuance of \$171,878,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities and refunding of such bonds. The District currently has \$31,430,000 principal amount of bonds outstanding (the “Outstanding Bonds”).

The proceeds of the Bonds and lawfully available debt service funds, if any, will be used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2013 totaling \$4,410,000\* (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$27,020,000\* in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

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\*Preliminary; subject to change.

## **Refunded Bonds**

Proceeds of the Bonds and lawfully available debt service funds, if any, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u>	<u>Series 2013*</u>
2022	\$ 180,000
2023	190,000
2024	200,000
2025	210,000
2026	220,000
2027	235,000
2028	245,000
2029	260,000
2030	275,000
2031	290,000
2032	305,000
2033	320,000
2034	340,000
2035	360,000
2036	380,000
2037	400,000
	<hr/>
	\$ 4,410,000

Redemption Date: September 1, 2021

## **Escrow Agreement and Defeasance of the Refunded Bonds**

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the "Escrow Agent").

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and available debt service funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the "Escrow Fund") and used to purchase United States Treasury Obligations (the "Escrowed Securities"). At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with uninvested funds, if any, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of and interest on the Bonds. By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

\*Preliminary; subject to change.

## **Sources and Uses of Funds**

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, along with lawfully available debt service funds, if any, will be applied as follows:

Sources of Funds:	
Principal Amount of the Bonds .....	\$ _____
Plus/Minus: Net Premium/Discount on the Bonds .....	_____
Plus: Transfer from Debt Service Fund .....	_____
Total Sources of Funds .....	\$ _____
Uses of Funds:	
Deposit to Escrow Fund .....	\$ _____
Issuance Expenses and Underwriters' Discount (a) .....	_____
Total Uses of Funds .....	\$ _____

(a) Includes municipal bond insurance premium.

## **THE BONDS**

### **Description**

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

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

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

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

### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, the City of Fulshear (the "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 shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

### **No Arbitrage**

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

### **Redemption Provisions**

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2026, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

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

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

### **Authority for Issuance**

At a bond election held within the District, voters of the District authorized the issuance of \$171,878,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, and the Bonds are being issued pursuant to such authorization. See “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended, and an election held within the District.

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

### **Registration and Transfer**

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

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on the 15th calendar day of the month next preceding an Interest Payment Date and ending on the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

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

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

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

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

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

#### **Issuance of Additional Debt**

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality ("TCEQ") (other than road bonds and refunding bonds, which do not require TCEQ approval), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of \$171,878,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$80,640,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, and \$31,710,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds. After issuance of the Bonds, \$141,843,000\* principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$75,740,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, and all of the authorized bonds for purchasing and constructing road facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The Developers have expended approximately \$318,152 as of April 1, 2021 for design, construction, engineering and acquisition of District water, sewer and drainage facilities for which they have not been reimbursed. See "INVESTMENT CONSIDERATIONS—Future Debt."

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\*Preliminary; subject to change.

In addition, the District is responsible for its share of the debt service on the Contract Revenue Bonds (as hereinafter defined) issued by the Master District (as hereinafter defined) to finance capital costs for regional waterworks, sanitary sewer, and drainage facilities and regional road facilities serving the Service Area (as hereinafter defined). See “INVESTMENT CONSIDERATIONS—Overlapping Master District Debt and Contract Tax” and “THE SYSTEM—The Master District.”

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

### **Financing Parks and Recreational Facilities**

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District has developed and adopted a detailed park plan, and the qualified voters in the District have authorized the issuance of \$80,640,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, of which \$75,740,000 in principal amount remains authorized by unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes.

Pursuant to the Contract for Financing, Operation and Maintenance of Regional Facilities, as amended (the “Master District Contract”), the Master District will fund the design and construction of the park and recreational facilities serving Cross Creek Ranch (“Master District Park Facilities”) through park connection fees imposed by the Master District on each MUD Participant (as hereinafter defined), including the District, based on the number of connections reserved by a MUD Participant (“Park Connection Fees”). The Master District Contract provides that the Master District will compute Park Connection Fees on the basis of the then estimated total capital costs of providing the Master District Park Facilities for all of the Service Area minus the Park Connection Fees which have been previously paid to the Master District, and dividing the result by the number of estimated total connections to be constructed within the Service Area (as hereinafter defined) minus the number of connections for which Park Connection Fees have been previously paid to the Master District. Each MUD Participant may issue bonds, or use other legally available funds, to pay for Park Connection Fees. In no event will a MUD Participant owe an amount for Park Connection Fees (whether paid by bond proceeds of the MUD Participant or other available funds) that exceeds any legal limit that would apply if the MUD Participant were to fund its obligation to pay for Park Connection Fees solely through the issuance of bonds. Under Section 49.4645 of the Water Code, the outstanding principal amount of bonds issued by any MUD Participant to finance park/recreational facilities payable from any source may not exceed an amount equal to one percent of the value of the taxable property in that district. Park Connection Fees are generally due from each MUD Participant to the Master District at the time a MUD Participant reserves capacity in the Master District Facilities (as hereinafter defined); however, no Park Connection Fees are due until a MUD Participant’s certified taxable value exceeds \$100,000,000. The Master District Contract allows the Master District to delay the due date for Park Connection Fees from a MUD Participant until such time as that MUD Participant has sufficient bond funds available to pay same. The Master District may refuse to allow a MUD Participant to receive additional connections in the Master District Facilities if the MUD Participant fails to pay the Master District the Park Connection Fees. For the purpose of funding Park Connection Fees, the Master District may require that each MUD Participant file one or more bond applications with the TCEQ no later than the date that 75% of the above-ground improvements within the MUD Participant have been constructed or are under construction. See “THE SYSTEM—The Master District.” The District has issued one series of unlimited tax bonds to pay for Park Connection Fees and may issue additional bonds to pay for Park Connection Fees.

### **Dissolution**

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

### **Consolidation**

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

## **Remedies in Event of Default**

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

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

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

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

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

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

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

## **Defeasance**

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

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

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

## **BOOK-ENTRY-ONLY SYSTEM**

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants 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. With respect to the Bonds, one fully-registered Bond certificate will be issued of each such series 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings' 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## **CROSS CREEK RANCH DEVELOPMENT**

The District is part of a development project known as Cross Creek Ranch covering approximately 3,200 acres of land and planned for approximately 5,500 to 6,000 single-family homes. The Cross Creek Ranch project consists of five municipal utility districts: Fort Bend County Municipal Utility District No. 169 (“No. 169”), Fort Bend County Municipal Utility District No. 170 (“No. 170”), Fort Bend County Municipal Utility District No. 171 (“No. 171”), the District, and Fort Bend County Municipal Utility District No. 173 (“No. 173”). No. 169 in its capacity as a participant district, No. 170, No. 171, No. 173, and the District are referred to herein collectively as the “MUD Participants.” No. 169, in its capacity as Master District (the “Master District”), provides regional wastewater collection and treatment facilities; water supply and delivery facilities; detention/drainage facilities; park/recreational facilities; and road facilities that are arterial, collector, or thoroughfare roads; certain of which are then accepted by the City for operation and maintenance.

## **THE DISTRICT**

### **General**

The District is a municipal utility district created by order of the TCEQ on August 28, 2007. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the provision of parks and recreational facilities. The District is also empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof. (All of such District water, sewer and drainage facilities are referred to herein as “District Facilities.”) The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. 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 TCEQ and the voters of the District.

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

### **Utility Agreement with the City**

The District operates pursuant to a Utility Agreement between the City and the District dated as of May 14, 2010, as amended (the “Utility Agreement”). The Utility Agreement terminates May 14, 2044, unless otherwise previously terminated pursuant to the terms of the Utility Agreement. Pursuant to the Utility Agreement, the District has agreed to acquire and construct, for ultimate conveyance to the City, the water distribution, wastewater collection and certain drainage facilities to serve development occurring within the boundaries of the District (the “District Utility Facilities”) and the City has agreed to make annual payments (as described herein) to the District in consideration of the District constructing the District Utility Facilities on behalf of the City. See “THE DISTRICT—Utility Agreement with the City—Annual Payment.”

*The District Facilities:* The Utility Agreement provides that the District Utility Facilities will be designed and constructed in accordance with the City's requirements and criteria. See “THE SYSTEM.”

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

***Ownership, Operation, and Maintenance of the District Utility Facilities:*** Upon completion of construction of the District Utility Facilities, the District agrees to convey the District Utility Facilities to the City, reserving for itself a security interest in the District Utility Facilities for the purpose of securing the performance of the City under the Utility Agreement. When all bonds issued by the District to acquire and construct the applicable District Utility Facilities have been paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the District Utility Facilities without such encumbrance. As each phase of the District Utility Facilities is completed, the City agrees to inspect the same and upon approval, will accept the District Utility Facilities for operation and maintenance. From then on, the District Utility Facilities shall be operated and maintained by the City at its sole cost and expense. Initially, the City will operate the District Utility Facilities by contracting with a qualified third-party company, and at such time as the land within the MUD Participants has more than 3,000 connections, the City is authorized by the Utility Agreement to independently operate the District Utility Facilities. While there are now more 3,000 connections, the City has not elected to independently operate the District Utility Facilities and has contracted with Inframark, Inc. to operate the District Utility Facilities.

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

***Annual Payment:*** The Utility Agreement provides that the City will pay the Annual Payment (as herein defined) to the District on February 28th of each year until and including February 28, 2044, provided however, the City will not be required to pay the Annual Payment to the District once the District no longer has debt service on the unlimited tax bonds issued to finance the water, wastewater and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District's internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District's contractual obligation to pay a portion of the debt service on Contract Revenue Bonds issued by the Master District to finance regional facilities. The Utility Agreement does not require the District to pledge the Annual Payment for payment of the debt service on the District's unlimited tax bonds. Therefore, the Annual Payment is subject to modification by agreement of the District and the City.

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

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

### **Description and Location**

The District consists of approximately 910 acres of land. The District is located in Fort Bend County approximately 31 miles west of the central downtown business district of the City of Houston. The District lies wholly within the city limits of the City and within the boundaries of Katy Independent School District. The District is located north of FM 1093 and west of FM 1463.

## Land Use

The following table has been provided by the Engineer and represents the current land use within the District.

<u><i>Single Family Residential</i></u>	<b>Approximate</b>	
	<u><b>Acres</b></u>	<u><b>Lots/ESFCs</b></u>
Creek Bend at Cross Creek Ranch Section 1	22	53
Creek Bend at Cross Creek Ranch Section 2	17	60
Creek Bend at Cross Creek Ranch Section 3	13	36
Creek Bend at Cross Creek Ranch Section 4	15	62
Creek Bend at Cross Creek Ranch Section 5	15	57
Creek Bend at Cross Creek Ranch Section 6	15	44
Creek Bend at Cross Creek Ranch Section 7	33	63
Creek Bend at Cross Creek Ranch Section 8	14	45
Creek Bend at Cross Creek Ranch Section 9	12	38
Creek Bend at Cross Creek Ranch Section 10	19	74
Creek Bend at Cross Creek Ranch Section 11	28	60
Creek Bend at Cross Creek Ranch Section 12	21	66
Creek Bend at Cross Creek Ranch Section 13	19	60
Creek Cove at Cross Creek Ranch Section 1	46	68
Creek Cove at Cross Creek Ranch Section 2	38	54
Creek Cove at Cross Creek Ranch Section 3	38	54
Creek Cove at Cross Creek Ranch Section 4	28	56
Creek Cove at Cross Creek Ranch Section 5	33	56
Creek Cove at Cross Creek Ranch Section 6	45	61
Creek Cove at Cross Creek Ranch Section 8	23	50
Creek Cove at Cross Creek Ranch Section 9	25	56
Creek Cove at Cross Creek Ranch Section 12	22	45
Creek Cove at Cross Creek Ranch Section 13	19	72
Creek Cove at Cross Creek Ranch Section 14	33	77
Creek Cove at Cross Creek Ranch Section 15	22	51
Creek Cove at Cross Creek Ranch Section 16	39	109
Legacy at Cross Creek Ranch Section 3	54	60
Legacy at Cross Creek Ranch Section 4	29	61
	<hr/> 737	<hr/> 1,648
<u><i>Non-Single Family</i></u>		
KISD Elementary School No. 37	14	29
CVS Pharmacy	2	3
Children's Lighthouse Day Care	2	9
Shopping Center (Patton Tract 1)	2	24
Veterinary Clinic	1	14
Shopping Center (Patton Tract 2)	2	20
Cross Creek Office Complex	3	34
Grocery and Shopping Center	10	58
Recreation	10	2
Non-Developable (a)	<hr/> 127	<hr/>
	910	

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

### **Status of Development**

Development within the District currently includes the residential subdivisions shown above under “Land Use”. As of March 30, 2021, there were 1,544 homes completed in the District (which includes 1,531 completed and occupied and 13 completed and unoccupied), 26 homes under construction (22 of which are sold and 4 of which are for sale), and 78 developed lots available for home construction. Homes constructed within the District range in price from approximately \$200,000 to \$800,000 (including the lot).

A CVS Pharmacy, The Children’s Lighthouse Daycare Center, 2 phases of a shopping center, an office development and a veterinary clinic have been constructed on approximately 12 acres of land. An Aldi’s Grocery Store and adjacent shopping center have been constructed on approximately 10 acres of land. A dog park has been constructed on approximately 10 acres of land.

James E. Randolph Elementary School has been constructed on approximately 14 acres and is exempt from the payment of property taxes.

### **Recreational Facilities**

Recreational amenities within Cross Creek Ranch include the Cross Creek Fitness Center, a 6,500 square foot fitness center operated by Risher Fitness Management, Inc. The Adventure Island Water Park includes a pool, a splash pad, a wading pool and a water slide. The Adventure Island Water Park and Cross Creek Fitness Center are located in No. 171. The recreational complex also includes a 70 foot observation tower and the Italian Maid Café. The Canine Commons Dog Park, Flewellen Creek Pool, and Pine Park have been constructed in the District. A recreation center has been constructed in No. 170 for the Bonterra subdivision. The master plan for Cross Creek Ranch currently includes over 400 acres of green space, including hundreds of acres of lakes and trails that flow through the community along the Flewellen Creek, which plan may be amended from time to time.

### **Future Development**

The Engineer has stated that under current development plans, the remaining principal amount of authorized but unissued bonds for water, sewer and drainage facilities and refunding of same (\$141,843,000\* principal amount after the issuance of the Bonds) should be sufficient to finance any future construction needs of the District’s water, sewer and drainage system. There is no remaining developable land within the District. See “INVESTMENT CONSIDERATIONS” and “THE SYSTEM.”

## **THE DEVELOPERS**

### **Role of a Developer**

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

Neither the Developers nor any of their affiliates, are obligated to pay principal of or interest on the Bonds. Furthermore, neither of the Developers have a binding commitment to the District to carry out any plan of development and each of the Developers may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective Bond purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See “INVESTMENT CONSIDERATIONS.”

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\*Preliminary; subject to change.

Prospective Bond purchasers should note that any prior real estate experience discussed below of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See “INVESTMENT CONSIDERATIONS.”

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

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

In 2013, CCR Texas transferred approximately 423 acres in Cross Creek Ranch to its wholly owned subsidiary, CCR Loan Subsidiary 1, L.P. (“CCR Subsidiary”). Subsequently, CCR Texas transferred an additional 710 acres in Cross Creek Ranch to CCR Subsidiary. Currently, CCR Texas owns approximately 26 acres of land in the District and CCR Subsidiary owns approximately 39 acres of land.

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

**Homebuilding**

Trendmaker Homes, Village Homes, Newmark Homes, Avanti Homes, Partners in Building and Darling Homes are building homes in the District, which range in sales price from approximately \$200,000 to \$800,000 pursuant to lot sales contracts with one or more of the Developers. Homebuilders in the District contract directly with one of the Developers and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff Martin	President	May 2024
Kevin Shipley	Vice President	May 2022
Jennifer Quade	Secretary	May 2022
Shannon Lopez	Assistant Secretary	May 2022
Vacant	Assistant Vice President	

## **District Consultants**

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

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

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

*Auditor:* The District's financial statements for the year ended September 30, 2020, were audited by McGrath & Co. PLLC. See "APPENDIX A" for a copy of the District's September 30, 2020 financial statements.

*Engineer:* The District's consulting engineer is BGE, Inc.

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

*Utility System Operator:* The operator of the City's water and sewer facilities which serve the District, including those facilities conveyed to the City by the District, is Inframark Inc. ("Inframark").

*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 information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the District's assessed valuations and certain other historical data concerning tax rates and tax collections has been provided by Assessments of the Southwest, Inc. and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

## **THE SYSTEM**

### **The Master District**

The Master District provides regional water, sanitary sewer, drainage, park/recreational, and road facilities that are arterial, collector, or thoroughfare roads (collectively, the "Master District Facilities") necessary to serve (i) the Cross Creek Ranch project, an approximately 3,200 acre master planned community, including the District, (ii) an approximately 71 acre tract, and (iii) an approximately 23 acre tract (collectively, the "Service Area"), including the District. The District and the other MUD Participants have executed the Master District Contract. By execution of the Master District Contract, all of the MUD Participants, including the District, will be obligated to pay a pro rata share of annual debt service on the contract revenue bonds issued by the Master District to finance the Master District water, sewer, drainage and road facilities (the "Contract Revenue Bonds") based upon the certified gross assessed valuation of each district. The MUD Participants are further required to pay Park Connection Fees. Each MUD Participant will sell its own bonds (or use other legally available funds) to finance Master District Park Connection Fees. Under current law, the outstanding principal amount of park bonds issued by any MUD Participant is limited to one percent (1%) of the value of the taxable property in that district. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

With the exception of Master District Park Facilities, the Master District Facilities have been and will be financed with the proceeds of Contract Revenue Bonds to be issued by the Master District. The Master District is authorized pursuant to the Master District Contract to issue Contract Revenue Bonds in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount, and/or such \$121,450,000 authorized amount. Out of such \$483,000,000 authorization, the Master District has issued eleven series of Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the aggregate principal amount of \$128,685,000 and three series of Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities) in the aggregate principal amount of \$19,330,000. The Master District also expects to issue Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the principal amount of approximately \$9,425,000 in the third quarter of 2021. Out of the \$121,450,000 authorization for road facilities, the Master District has issued six series of Contract Revenue Bonds (Road Facilities) in the aggregate principal amount of \$58,790,000 and one series of Contract Revenue Refunding Bonds (Road Facilities) in the principal amount of \$9,910,000.

The District's pro rata share of the debt service requirements on the Contract Revenue Bonds is determined annually by dividing the District's certified gross appraised value by the cumulative total of the certified gross appraised values of all the MUD Participants. The Master District Contract obligates the District to pay its pro rata share of annual debt service requirements on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose ("Contract Tax"), revenues, if any, derived from the operation of the District's water distribution and wastewater collection system or from any other legally available funds of the District. See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes", and "TAX DATA—Contract Tax." Since the District's water distribution and wastewater collection system are required to be conveyed to the City pursuant to the Utility Agreement between the District and the City, it is not expected that the District will have any revenues from such system. See "THE DISTRICT—Utility Agreement with the City."

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

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



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

Pursuant to the Master District Contract, the District is obligated to levy and collect a continuing direct ad valorem tax on all taxable property within the boundaries of the District in amounts that are sufficient, together with funds received from any other lawful sources, at all times to pay the District's obligations pursuant to the Master District Contract, including the District's pro rata share of the Master District's annual debt service requirements and monthly charges. All sums payable by the District pursuant to the Master District Contract are to be paid by the District without set off, counterclaim, abatement, suspension or diminution.

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

### **Master District Facilities**

Operation of Master District Facilities: The potable water supply, storm sewer, and wastewater treatment facilities constructed by or on behalf of the Master District are conveyed to the City for operation and maintenance in accordance with the Master District's utility agreement with the City, and all capacity in said facilities is reserved for the Master District. The City currently uses Inframark Inc. to operate such facilities. Each MUD Participant's customers are billed by the City for water and sewer service. See "THE DISTRICT—Utility Agreement With the City."

Water Supply: The potable water supply facilities constructed by or on behalf of the Master District and being operated by the City ("Water Supply Facilities") currently consist of three water plants. Water Plant No. 1 consists of a 1,500 gallons per minute ("gpm") water well and one 1,000 gpm water well; 840,000 gallons of ground storage capacity; 9,300 gpm of booster pump capacity; pressure tank capacity of 60,000 gallons and all related appurtenances. Water Plant No. 2 consists of a 1,650 gpm water well, 860,000 gallons of ground storage capacity, pressure tank capacity of 60,000 gallons, 4,900 gpm booster tank capacity and all related appurtenances. Water Plant No. 3 consists of a 1,650 gpm water well, 430,000 gallons of ground storage capacity, pressure tank capacity of 30,000 gallons, 4,900 gpm of booster tank capacity and all related appurtenances. The major components of the Master District's Water Supply Facilities have the capacity to serve approximately 8,928 equivalent single-family connections ("ESFCs"). According to the District's Engineer, the Master District has a current reserved capacity for 6,237 ESFCs for the MUD Participants (1,839 allocated to the District) and 6,034 active ESFCs (approximately 1,565 within the District) are being served by the Water Supply Facilities as of March 30, 2021.

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

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

Wastewater Treatment: The wastewater treatment facilities installed by or on behalf of the Master District and being operated by the City ("Wastewater Treatment Facilities") consist of one leased plant (the "Leased Wastewater Plant") pursuant to lease agreements, as amended, between the Master District and AUC Group, L.P. ("AUC") (the "Lease Agreements") with a total capacity of 500,000 gallons per day ("gpd") and a permanent plant with a capacity of 1,000,000 gpd (the "Permanent Wastewater Plant"). The City has assumed certain rights and obligations under the Lease Agreement for the Leased Wastewater Plant. The Master District remains obligated to pay the lease payment for the Leased Wastewater Plant, which is currently \$13,000 per month. Such lease cost is included in the Master District's operation and maintenance expenses and therefore shared by all MUD Participants that have reserved ESFCs. The Master District may terminate the Lease Agreements at any time after May 1, 2022 by giving at least sixty (60) days notice to AUC. Current wastewater treatment capacity of the Wastewater Treatment Facilities will serve 8,333 ESFCs. According to the District's Engineer, the Master District has reserved capacity for 6,237 ESFCs (1,839 allocated to the District) and approximately 6,034 active ESFCs (approximately 1,565 within the District) are being served by the Wastewater Treatment Facilities as of March 30, 2021.

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

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

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

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

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

Financing of Facilities: According to the District's Engineer, the Contract Revenue Bonds that the Master District is authorized to issue pursuant to the Master District Contract in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same) are sufficient to complete acquisition and construction of the Master District's water, sewer and drainage facilities and the Master District's road facilities, respectively.

### **Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities**

Internal water distribution, wastewater collection and storm drainage facilities have been constructed or are under construction by the District to serve 1,648 single-family residential lots and 22 commercial acres.

Each MUD Participant, including the District, will construct the internal water distribution, wastewater collection and storm drainage lines within its respective boundaries and upon acquisition and completion, each respective MUD Participant will transfer ownership of the internal water distribution, wastewater collection and storm drainage lines to the City for operation and maintenance. The internal facilities will be financed with unlimited tax bonds sold by each MUD Participant.

### **Storm Water Drainage Facilities and Flood Plain**

Undeveloped land in the District drains naturally by way of overland sheet flow to Flewellen Creek. Internal storm-water collection lines are constructed for drainage system improvements to serve the District's development as each subdivision is developed. The District's storm drainage collection system consists of curbs and gutters with inlets and reinforced concrete storm sewers. This storm sewer system will serve the entire District's drainage area and convey flows to several storm water detention basins owned and maintained by the Master District. The detention basins ultimately drain to Flewellen Creek.

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

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

The Federal Emergency Management Agency is in a process to remap the Special Flood Hazard Area (SFHA) (commonly referred to as the 100-year flood plain elevation) and create a new digital Flood Insurance Rate Map (DFIRM) in Fort Bend County. Preliminary DFIRM maps have been released, and no changes were made to the 100-year flood plain within the District. The Preliminary Flood Insurance Study report is subject to public comment, revisions and changes. Although no changes are anticipated within the District, if the final study concludes that the level of the 100-year flood plain is substantially higher than current standards, land currently mapped outside the floodplain could be remapped inside the floodplain and remedial actions may be required that could have a material adverse impact on the District. Remedial actions could require the removal of property from the floodplain by way of channel or other improvements and the issuance of additional debt by the District.

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

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

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

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

## **Regulation**

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

## **FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

2020 Certified Taxable Assessed Valuation .....	\$706,469,382 (a)
2021 Preliminary Taxable Assessed Valuation .....	\$834,551,008 (b)
Gross Direct Debt Outstanding (the Remaining Outstanding Bonds and the Bonds) .....	\$31,620,000*
Estimated Overlapping Debt .....	96,991,685 (c)
Gross Direct Debt and Estimated Overlapping Debt .....	\$128,611,685*
Ratios of Gross Direct Debt to:	
2020 Certified Taxable Assessed Valuation .....	4.48%*
2021 Preliminary Taxable Assessed Valuation .....	3.79%*
Ratios of Total Gross Direct Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation .....	18.20%*
2021 Preliminary Taxable Assessed Valuation .....	15.41%*

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

(b) Provided by the Appraisal District as a preliminary indication of the 2021 taxable assessed value. Such amount is subject to review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

(c) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

## **Cash and Investment Balances** (unaudited as of April 12, 2021)

Debt Service Funds Available as of April 12, 2021 .....	\$3,704,995 (a)
Operating Funds Available as of April 12, 2021 .....	\$2,702,994
Capital Projects Funds Available as of April 12, 2021 .....	\$548,813
Contract Tax Funds Available as of April 12, 2021 .....	\$3,426,050

(a) The District intends to apply approximately \$65,000\* of available debt service funds towards the purpose for which the Bonds are being issued. Neither Texas law nor the Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund.

## **Outstanding Bonds**

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds*	Remaining Outstanding Bonds*
2013	\$ 5,305,000	\$ 4,580,000	\$ 4,410,000	\$ 170,000
2014	8,180,000	7,230,000	-	7,230,000
2015	7,730,000	7,140,000	-	7,140,000
2016 (a)	4,900,000	4,300,000	-	4,300,000
2017	2,700,000	2,250,000	-	2,250,000
2019	4,450,000	4,450,000	-	4,450,000
2020	1,480,000	1,480,000	-	1,480,000
Total	\$ 34,745,000	\$ 31,430,000	\$ 4,410,000	\$ 27,020,000 *
The Bonds				4,600,000 *
The Bonds and Remaining Outstanding Bonds				\$ 31,620,000 *

(a) Unlimited Tax Park Bonds.

## **Estimated Overlapping Debt**

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

Taxing Jurisdiction	Outstanding	As of	Overlapping	
	Bonds		Percent	Amount
Fort Bend County.....	\$ 633,879,567	3/31/2021	0.92%	\$ 5,831,692
Fort Bend County Drainage District.....	25,405,000	3/31/2021	0.92%	233,726
City of Fulshear.....	-	3/31/2021	100.00%	-
Katy Independent School District.....	1,806,185,631	3/31/2021	1.57%	28,357,114
Fort Bend County MUD 169.....	167,190,000	3/31/2021	37.42%	62,569,153
Total Estimated Overlapping Debt.....				\$ 96,991,685
The District.....	31,620,000 (a)	Current	100.00%	31,620,000 *
Total Direct and Estimated Overlapping Debt.....				\$ 128,611,685 *

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Certified Taxable Assessed Valuation of \$706,469,382.....	18.20% *
2021 Preliminary Taxable Assessed Valuation of \$834,551,008.....	15.41% *

(a) Includes the Remaining Outstanding Bonds and the Bonds.

## **Overlapping Taxes**

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

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

	2020 Tax Rate per \$100 Assessed Valuation
Fort Bend County (a)	\$0.45321
Fort Bend County ESD No. 4	0.10000
City of Fulshear	0.20707
Katy ISD	1.38880
The District	1.09000
Total Overlapping Tax Rate	\$3.23908

(a) Includes Fort Bend County Drainage District.

\*Preliminary; subject to change.

## DISTRICT OPERATIONS

### General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds at the discretion and upon action of the Board. It is not anticipated that any revenues will be available for the payment of debt service on the Bonds. Since the District conveys its water, sewer, and drainage facilities to the City, it is anticipated that District maintenance tax proceeds will be the sole source of revenue available to the District to pay for District operations.

### General Fund Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Except for unaudited information, such summary is based upon information obtained from the District's audited financial statements for fiscal years September 30, 2017 through 2020 and from the District's bookkeeper for the period ended March 31, 2021. Reference is made to such statements and records for further and more complete information.

		Fiscal Year Ended September 30			
	10/1/2020 to 3/31/2021 (a)	2020	2019	2018	2017
<b>GENERAL FUND</b>					
<b>Revenues</b>					
Property Taxes	\$ 885,724	\$ 888,478	\$ 961,216	\$ 1,057,826	\$ 1,199,470
Investment Revenues	5,886	19,750	47,714	24,639	6,111
<b>Total Revenues</b>	<b>\$ 891,610</b>	<b>\$ 908,228</b>	<b>\$ 1,008,930</b>	<b>\$ 1,082,465</b>	<b>\$ 1,205,581</b>
<b>Expenditures</b>					
Professional Fees	\$ 37,942	\$ 85,750	\$ 91,112	\$ 86,293	\$ 158,328
Contracted Services	5,660	10,080	9,600	9,800	9,680
Repairs and Maintenance	-	-	-	-	40,000
Master District Fees	325,800	640,800	618,930	526,470	568,170
Administrative	7,074	21,702	17,532	15,802	19,151
Other	-	8,000	-	-	-
<b>Total Expenditures</b>	<b>\$ 376,476</b>	<b>\$ 766,332</b>	<b>\$ 737,174</b>	<b>\$ 638,365</b>	<b>\$ 795,329</b>
<b>Net Revenues</b>	<b>\$ 515,134</b>	<b>\$ 141,896</b>	<b>\$ 271,756</b>	<b>\$ 444,100</b>	<b>\$ 410,252</b>
<b>Fund Balance</b>					
<b>Beginning of Period</b>	<b>\$ 2,243,432</b>	<b>\$ 2,101,536</b>	<b>\$ 1,829,780</b>	<b>\$ 1,385,680</b>	<b>\$ 975,428</b>
<b>Fund Balance</b>					
<b>End of Period</b>	<b>\$ 2,758,566</b>	<b>\$ 2,243,432</b>	<b>\$ 2,101,536</b>	<b>\$ 1,829,780</b>	<b>\$ 1,385,680</b>

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

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$4,410,000\* principal amount), plus the estimated debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	(a)	Less: Debt Service on the Refunded Bonds*	Plus: Debt Service on the Bonds*			Total Debt Service Requirements*
				Principal	Interest	Total	
2021	\$ 1,561,307		\$ 101,280		\$ 26,575	\$ 26,575	\$ 1,486,602
2022	2,171,936		382,560	\$ 220,000	106,800	326,800	2,116,176
2023	2,176,660		386,440	230,000	100,100	330,100	2,120,320
2024	2,178,514		389,600	240,000	93,200	333,200	2,122,114
2025	2,183,651		392,000	250,000	86,000	336,000	2,127,651
2026	2,181,426		393,600	260,000	78,500	338,500	2,126,326
2027	2,192,081		399,800	270,000	70,700	340,700	2,132,981
2028	2,195,294		399,813	275,000	62,600	337,600	2,133,081
2029	2,195,681		403,788	285,000	57,100	342,100	2,133,994
2030	2,188,869		407,088	295,000	51,400	346,400	2,128,181
2031	2,183,181		409,025	300,000	45,500	345,500	2,119,656
2032	2,180,338		410,250	310,000	39,500	349,500	2,119,588
2033	2,258,931		410,000	315,000	33,300	348,300	2,197,231
2034	2,237,569		414,000	325,000	27,000	352,000	2,175,569
2035	2,213,344		417,000	335,000	20,500	355,500	2,151,844
2036	2,192,194		419,000	340,000	13,800	353,800	2,126,994
2037	2,188,100		420,000	350,000	7,000	357,000	2,125,100
2038	2,103,931						2,103,931
2039	2,073,706						2,073,706
2040	1,495,975						1,495,975
2041	1,044,288						1,044,288
2042	717,100						717,100
2043	596,800						596,800
Total	\$ 44,710,876		\$ 6,555,243	\$ 4,600,000	\$ 919,575	\$ 5,519,575	\$ 43,675,208

(a) Excludes the March 1, 2021 debt service payment of \$537,819.38.

Maximum Annual Debt Service Requirement (2033) ..... \$2,197,231\*  
Average Annual Debt Service Requirements (2022-2043) ..... \$1,917,664\*

\*Preliminary; subject to change.

## **TAX DATA**

### **Debt Service Tax**

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Maximum Impact on Tax Rate.”

### **Contract Tax**

The Master District has the authority to issue Contract Revenue Bonds pursuant to the Master District Contract, which was approved by the District’s voters. The pro rata share of the annual debt service requirements on the Contract Revenue Bonds for each MUD Participant, including the District, is determined annually by dividing each MUD Participant’s gross certified assessed value by the total of all of the MUD Participants’ gross certified assessed valuation. The Master District Contract obligates each MUD Participant to pay its pro rata share of annual debt service requirements on the Contract Revenue Bonds from the proceeds of an annual unlimited Contract Tax, from revenues, if any, derived from the operation of its water distribution and wastewater collection system, or from any other legally available funds. Since the water distribution and wastewater collection systems of each MUD Participant, including the District, are expected to be conveyed to the City, it is not expected that the MUD Participants will have any revenues from such systems and it is expected that all of such system revenues will belong to the City. The debt service requirement shall include principal, interest and redemption requirements on the Contract Revenue Bonds, paying agent/registrar fees, and all amounts necessary to establish and maintain funds established under the resolution(s) or indenture(s) of trust pursuant to which the Master District’s Contract Revenue Bonds are issued.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District’s improvements, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted on May 8, 2010 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation for maintenance and operation of water, sewer, drainage and park/recreational facilities and \$0.25 for maintenance and operation of road facilities. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and in addition to the Contract Tax. See “Debt Service Tax” and “Contract Tax” above.”

### **Tax Exemptions**

For the 2021 tax year, the District adopted an exemption from ad valorem taxation of \$10,000 of the assessed value of residence homesteads of individuals who are disabled or are sixty-five (65) years of age or older. The District has not adopted a general homestead exemption. See “TAXING PROCEDURES.”

### **Historical Tax Rate Distribution**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt Service	\$0.26500	\$0.29500	\$0.29500	\$0.29500	\$0.29000
Contract (a)	0.69500	0.69500	0.69500	0.69500	0.69500
Maintenance and Operations	<u>0.13000</u>	<u>0.14500</u>	<u>0.17000</u>	<u>0.19500</u>	<u>0.23000</u>
Total	\$1.09000	\$1.13500	\$1.16000	\$1.18500	\$1.21500

(a) See “INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes.”

### **Additional Penalties**

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



## **Historical Tax Collections**

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data. A breakdown the 2021 Preliminary Taxable Assessed Valuation is not available. See "Tax Roll Information" below.

Tax Year	Net Certified Taxable	Tax Rate	Total Tax Levy	Total Collections as of March 31, 2021 (b)	
	Assessed Valuation (a)			Amount	Percent
2016	\$517,644,372	\$1.21500	\$6,289,379	\$6,284,827	99.93%
2017	542,187,757	1.18500	6,424,925	6,420,807	99.94%
2018	565,392,493	1.16000	6,558,553	6,551,372	99.89%
2019	614,101,636	1.13500	6,970,054	6,959,355	99.85%
2020	706,809,288	1.09000	7,704,221	7,532,128	97.77%

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.

(b) Unaudited.

## **Tax Roll Information**

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation". The following represents the composition of property comprising the 2016 through 2020 Certified Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data. A breakdown the 2021 Preliminary Taxable Assessed Valuation is not available.

	2020	2019	2018	2017	2016
Land	\$144,422,526	\$135,945,758	\$128,107,772	\$123,915,592	\$113,703,252
Improvements	589,609,402	502,243,739	447,483,294	429,225,051	412,277,100
Personal Property	7,250,250	6,565,350	5,266,850	4,479,090	3,403,127
Exemptions	(34,812,796)	(30,653,211)	(15,465,423)	(15,431,976)	(11,739,107)
Total Certified Valuation	\$706,469,382	\$614,101,636	\$565,392,493	\$542,187,757	\$517,644,372

## **Principal Taxpayers**

The following table represents the ten principal taxpayers, the taxable appraised value of such property and the percentage of the 2020 Certified Taxable Assessed Valuation of \$706,469,382 attributable to such property. A principal taxpayer list related to the 2021 Preliminary Taxable Assessed Valuation is not available.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Assessed Valuation</u>	<u>% of Certified Tax Roll</u>
Cross Creek Commons Partnership A	Land and improvements	\$ 7,973,545	1.13%
Cross Creek Corner 2 LLC	Land and improvements	3,834,120	0.54%
Cross Creek Corner 1 LLC	Land and improvements	3,834,120	0.54%
Trendmaker Homes Inc.	Personal Property	2,839,190	0.40%
Algonquin Cross Creek LLC	Land and improvements	2,433,060	0.34%
H&V Properties LLC	Land	2,140,000	0.30%
Southpaw Holdings at Fulshear LLC	Land and improvements	1,959,881	0.28%
CCR Loan Subsidiary 1 LP (a)	Land and improvements	1,869,970	0.26%
Fulshear Car Wash Services LLC	Land and improvements	1,541,390	0.22%
CCOC LLC	Land and improvements	1,353,490	0.19%
		<u>\$ 29,778,766</u>	<u>4.21%</u>

(a) See "THE DEVELOPERS."

## **Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised 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 2020 Certified Taxable Assessed Valuation of \$706,469,382, or the 2021 Preliminary Taxable Assessed Valuation of \$834,551,008 which is subject to review and adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining 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 "DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2022-2043) .....	\$1,917,664*
\$0.29* Tax Rate on 2020 Certified Taxable Assessed Valuation .....	\$1,946,323*
\$0.25* Tax Rate on 2021 Preliminary Taxable Assessed Valuation.....	\$1,982,059*
Maximum Annual Debt Service Requirement (2033).....	\$2,197,231*
\$0.33* Tax Rate on 2020 Certified Taxable Assessed Valuation .....	\$2,214,782*
\$0.28* Tax Rate on 2021 Preliminary Taxable Assessed Valuation.....	\$2,219,906*

The Annual Payment (currently in the approximate amount of \$0.06251 per \$100 of assessed value) is not included in the calculations set forth above. See "THE DISTRICT—Utility Agreement with the City—Annual Payment." No representation or suggestion is made that the estimated values of land and improvements provided by the Appraisal District in the 2021 Preliminary Taxable Assessed Valuation for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

\*Preliminary; subject to change.

## **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 Remaining 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 payment of its obligations to the Master District and the operation and maintenance of the District. See “TAX DATA—Debt Service Tax, Contract Tax, and Maintenance Tax.”

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

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

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

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, effective January 1, 2018, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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

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

### **Tax Abatement**

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

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

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to ten percent (10%) annually regardless of the market value of the property.

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

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

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

### **District and Taxpayer Remedies**

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed, except as set forth herein with respect to residential homesteads. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

### **Tax Payment Installments After Disaster**

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

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

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

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

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

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

*The District:* For the 2020 tax year, the District has determined that the District is a Developing District. For future tax years, a determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. The District cannot give any assurances as to what the District's 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 rollback election calculation.

## **District's Rights in the Event of Tax Delinquencies**

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

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

## **INVESTMENT CONSIDERATIONS**

### **General**

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

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

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

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity 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 operation and maintenance expenses, annual debt service requirement on the Contract Revenue Bonds (as hereinafter defined) issued by the Master District (as hereinafter defined) to finance regional facilities and the Master District’s operation and maintenance expenses payable from ad valorem taxes.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods partially prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

## **Potential Effects of Oil Price Fluctuations on the Houston Area**

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

## **Recent Extreme Weather Events**

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

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

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

## **Specific Flood Type Risks**

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

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



### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed by the Developers to the builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT—Status of Development.”

### **Credit Markets and Liquidity in the Financial Markets**

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

### **Competition**

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

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

### **Landowner Obligation to the District**

There are no commitments from or obligations of any developer or other landowners to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

### **Overlapping Master District Debt and Contract Tax**

The Master District provides Master District Facilities necessary to serve the Service Area, including the District. By execution of the Master District Contract, each MUD Participant, including the District, is obligated to pay a pro rata share of annual debt service on the Contract Revenue Bonds based upon the certified gross assessed valuation of each of the MUD Participants. See “TAX DATA—Contract Tax” and “—Historical Tax Rate Distribution.”

The Master District is authorized pursuant to the Master District Contract to issue Contract Revenue Bonds in the principal amount of \$483,000,000 for water, sewer and drainage facilities (and for the purpose of refunding same) and in the principal amount of \$121,450,000 for road facilities (and for the purpose of refunding same). Pursuant to the Master District Contract, approval by each MUD Participant and approval by the voters at an election held by each MUD Participant is required prior to any amendment to the Master District Contract that would increase such \$483,000,000 authorized amount and/or such \$121,450,000 authorized amount. The District is obligated to pay its pro rata share of annual debt service on the Contract Revenue Bonds from the proceeds of ad valorem taxes levied by the District for such purpose (the “Contract Tax”) or from any other lawful source of District income. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt” and “THE SYSTEM—The Master District.” Out of such \$483,000,000 authorization, the Master District has previously issued eleven series of Contract Revenue Bonds (Water, Sewer and Drainage Facilities) in the aggregate principal amount of \$128,685,000 and three series of Contract Revenue Refunding Bonds (Water, Sewer and Drainage Facilities) in the principal amount of \$19,330,000. The Master District expects to issue additional contract revenue bonds for water, sewer and drainage facilities in the principal amount of approximately \$9,425,000 in the third quarter of 2021 (“Series 2021 Bonds”). After the issuance of such Series 2021 Bonds, the Master District will have an additional \$344,025,000 of Contract Revenue Bonds for water, sewer and drainage purposes (and for the purpose of refunding same) that it is authorized to issue pursuant to the Master District Contract. Out of such \$121,450,000 authorization, the Master District has previously issued six series of Contract Revenue Bonds (Road Facilities) in the aggregate principal amount of \$58,790,000 and one series of Contract Revenue Refunding Bonds (Road Facilities) in the principal amount of \$9,910,000 and has an additional \$62,335,000 of Contract Revenue Bonds for road facilities (and for purposes of refunding same) that it is authorized to issue pursuant to the Master District Contract. To date, the developers in the Master District have advanced certain funds to or for the benefit of the Master District for construction of Master District Facilities. After the reimbursement from the Series 2021 Bonds, the Master District will owe such developers in the aggregate approximately \$33,741,100 plus interest. Included within said \$33,741,100 is approximately \$3,869,835 attributable to Master District Water/ Sewer/Drainage Facilities serving the Service Area, approximately \$10,445,630 attributable to Master District Road Facilities serving the Service Area, and approximately \$19,425,635 attributable to Master District Park Facilities serving the Service Area.

#### **Annual Payment from the City of Fulshear**

The Utility Agreement provides that the City will pay the Annual Payment to the District on February 28th of each year until and including February 28, 2044, provided, however, the City will not be required to pay the Annual Payment to the District once the District no longer has debt service on the unlimited tax bonds issued to finance the water, wastewater and drainage facilities described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation to pay a portion of the debt service on Contract Revenue Bonds issued by the Master District to finance regional facilities. The Utility Agreement does not require the District to pledge the Annual Payment for payment of the debt service on the District’s unlimited tax bonds. Therefore, the Annual Payment is subject to modification by agreement of the District and the City. If the City fails to make the annual payment of the Annual Payment to the District in a timely manner, the District would likely need to increase its debt service tax rate.

#### **Maximum Impact on District Tax Rate**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Taxable Assessed Valuation is \$706,469,382. After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$2,197,231\* (2033) and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$1,917,664\* (2022-2043). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.33\* and \$0.29\* per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The 2021 Preliminary Taxable Assessed Valuation is \$834,551,008. Assuming no increase or decrease from the 2021 Preliminary Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.28\* and \$0.25\* per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See “DEBT SERVICE REQUIREMENTS.” The Annual Payment to be received from the City is not included in the calculations set forth in this paragraph. See “THE DISTRICT – Utility Agreement with the City.”

Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Remaining Outstanding Bonds and the Bonds based upon the 2020 Certified Taxable Assessed Valuation or the 2021 Preliminary Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

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\*Preliminary; subject to change.

## **Vacant Lots**

There are 78 vacant developed lots. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See “THE DISTRICT—Land Use—Status of Development.”

## **Environmental Regulations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$171,878,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities and refunding of such bonds, \$80,640,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities and refunding of such bonds, and \$31,710,000 principal amount of unlimited tax bonds for purchasing and constructing road facilities and refunding of such bonds has been authorized by voters in the District. After issuance of the Bonds, \$141,843,000\* principal amount of unlimited tax bonds for water, sewer and drainage facilities and refunding of such bonds will remain authorized but unissued; \$75,740,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding of such bonds will remain authorized but unissued; and all of the authorized bonds for road facilities and refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The Developers have expended approximately \$318,152 as of April 1, 2021 for design, construction, engineering and acquisition of District water, wastewater and storm drainage facilities for which they have not been reimbursed. The District may issue additional bonds in order to reimburse the Developers for facilities that have been, or will be, constructed to serve the District. In addition, the District may issue additional bonds to pay Park Connection Fees.

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 (except bonds for road facilities and refunding bonds) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. Further, under current law, the outstanding principal amount of bonds, or other obligations, issued to finance parks and recreational facilities may not exceed 1% of the District's taxable value. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

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

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\*Preliminary; subject to change.

### **Marketability of the Bonds**

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

### **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:

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

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

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

### **Continuing Compliance with Certain Covenants**

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

### **Changes in Tax Legislation**

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

## **LEGAL MATTERS**

### **Legal Proceedings**

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

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

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

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

### **No Material Adverse Change**

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement, as amended or supplemented through the date of the sale.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest 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**

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

### **REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS**

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

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

### **MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE**

Moody's Investors Service ("Moody's") has assigned an underlying rating of "A3" to the Bonds. An explanation of the rating may be obtained from Moody's. The rating fees of Moody's will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Underwriter.

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 Moody's, 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.

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 District and at the District's expense.

### **SALE AND DISTRIBUTION OF THE BONDS**

The Bonds are being purchased by Robert W. Baird & Co., Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of \$\_\_\_\_\_ (representing the par amount of the Bonds of \$\_\_\_\_\_, plus/minus a net premium/discount on the Bonds of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_) plus accrued interest. The Underwriter's obligation is to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—Sources and Uses of Funds."

The Underwriter has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

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

### **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. 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, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

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

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the water, sewer, and drainage system serving or provided by the District and Master District and certain information included in the sections entitled "THE DISTRICT—Description and Location—Status of Development," and "THE SYSTEM" has been provided by BGE, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended September 30, 2020, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2020 financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Fund as it appears in "DISTRICT OPERATIONS—General Fund Statement" has been provided by F. Matuska, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

### **Updating the Official Statement**

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

### **Certification of Official Statement**

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," "DISTRICT OPERATIONS," "DEBT SERVICE REQUIREMENTS" and "TAX DATA," and in Appendix A (Financial Statements of the District). The District will update and provide this information to the MSRB within six (6) months after the end of each fiscal year ending in or after 2021.

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

## **Event Notices**

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

## **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

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

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

## **Compliance With Prior Undertakings**

During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

## MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 172, as of the date shown on the cover page.

/s/ \_\_\_\_\_  
President, Board of Directors  
Fort Bend County Municipal Utility District No. 172

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors  
Fort Bend County Municipal Utility District No. 172

## **APPENDIX A**

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

**FORT BEND COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 172**

**FORT BEND COUNTY, TEXAS**

**FINANCIAL REPORT**

**September 30, 2020**



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# McGRATH & CO., PLLC

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

## Independent Auditors' Report

Board of Directors  
Fort Bend County Municipal Utility District No. 172  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

***Board of Directors  
Fort Bend County Municipal Utility District No. 172  
Fort Bend County, Texas***

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 172, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

*McGuath & Co, LLC*

Houston, Texas  
January 11, 2021

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

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***Fort Bend County Municipal Utility District No. 172  
Management's Discussion and Analysis  
September 30, 2020***

## **Using this Annual Report**

Within this section of the financial report of Fort Bend County Municipal Utility District No. 172 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2020. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

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

***Fort Bend County Municipal Utility District No. 172***  
***Management's Discussion and Analysis***  
***September 30, 2020***

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

**Fund Financial Statements**

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

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

**Financial Analysis of the District as a Whole**

The District's net position at September 30, 2020, was negative \$20,994,356. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Fulshear. A comparative summary of the District's overall financial position, as of September 30, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 6,509,769	\$ 6,660,856
Capital assets	3,891,006	4,025,179
Total assets	<u>10,400,775</u>	<u>10,686,035</u>
Current liabilities	1,118,293	3,331,617
Long-term liabilities	30,276,838	27,810,538
Total liabilities	<u>31,395,131</u>	<u>31,142,155</u>
Net position		
Net investment in capital assets	(905,479)	(853,191)
Restricted	3,111,288	2,747,233
Unrestricted	(23,200,165)	(22,350,162)
Total net position	<u>\$ (20,994,356)</u>	<u>\$ (20,456,120)</u>

***Fort Bend County Municipal Utility District No. 172***  
***Management's Discussion and Analysis***  
***September 30, 2020***

The total net position of the District decreased during the current fiscal year by \$538,236. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	\$ 6,983,247	\$ 6,587,084
City of Fulshear tax rebates/annual payment	340,269	307,672
Other	71,958	187,794
Total revenues	<u>7,395,474</u>	<u>7,082,550</u>
Expenses		
Operating and administrative	901,573	828,293
Debt interest and fees	1,089,044	1,018,436
Developer interest	92,640	
Debt issuance costs	340,686	53,847
Contractual obligation	4,096,239	3,751,675
Amortization	134,173	134,173
Total expenses	<u>6,654,355</u>	<u>5,786,424</u>
Change in net position before other item	741,119	1,296,126
Other item		
Transfers to other governments	<u>(1,279,355)</u>	<u>(4,570,609)</u>
Change in net position	(538,236)	(3,274,483)
Net position, beginning of year	<u>(20,456,120)</u>	<u>(17,181,637)</u>
Net position, end of year	<u>\$ (20,994,356)</u>	<u>\$ (20,456,120)</u>

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

The District's combined fund balances, as of September 30, 2020, were \$6,439,687, which consists of \$2,243,432 in the General Fund, \$3,149,310 in the Debt Service Fund and \$1,046,945 in the Capital Projects Fund.

***General Fund***

A comparative summary of the General Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 2,263,542</u>	<u>\$ 2,111,117</u>
Total liabilities	\$ 15,299	\$ 6,235
Total deferred inflows	4,811	3,346
Total fund balance	<u>2,243,432</u>	<u>2,101,536</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,263,542</u>	<u>\$ 2,111,117</u>



***Fort Bend County Municipal Utility District No. 172  
Management's Discussion and Analysis  
September 30, 2020***

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

	2020	2019
Total revenues	\$ 908,228	\$ 1,008,930
Total expenditures	(766,332)	(737,174)
Revenues over expenditures	<u>\$ 141,896</u>	<u>\$ 271,756</u>

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

***Debt Service Fund***

A comparative summary of the Debt Service Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 3,199,282</u>	<u>\$ 2,827,275</u>
Total liabilities	\$ 2,713	\$ 2,713
Total deferred inflows	47,259	23,435
Total fund balance	3,149,310	2,801,127
Total liabilities, deferred inflows and fund balance	<u>\$ 3,199,282</u>	<u>\$ 2,827,275</u>

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

	2020	2019
Total revenues	\$ 6,449,278	\$ 6,032,537
Total expenditures	(6,101,095)	(5,668,001)
Revenues over expenditures	<u>\$ 348,183</u>	<u>\$ 364,536</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and City of Fulshear tax rebates/annual payment. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements and contract obligations to Fort Bend County Municipal Utility District No. 169.

***Fort Bend County Municipal Utility District No. 172  
Management's Discussion and Analysis  
September 30, 2020***

*Capital Projects Fund*

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 1,046,945</u>	<u>\$ 1,722,464</u>
Total liabilities	\$ -	\$ 540
Total fund balance	<u>1,046,945</u>	<u>1,721,924</u>
Total liabilities and fund balance	<u>\$ 1,046,945</u>	<u>\$ 1,722,464</u>

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

	2020	2019
Total revenues	\$ 12,678	\$ 31,628
Total expenditures	<u>(2,787,657)</u>	<u>(1,876,089)</u>
Revenues under expenditures	(2,774,979)	(1,844,461)
Other changes in fund balance	<u>2,100,000</u>	<u>2,350,000</u>
Net change in fund balance	<u>\$ (674,979)</u>	<u>\$ 505,539</u>

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

**General Fund Budgetary Highlights**

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$26,386 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

**Capital Assets**

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

***Fort Bend County Municipal Utility District No. 172***  
***Management's Discussion and Analysis***  
***September 30, 2020***

Capital assets held by the District at September 30, 2020 and 2019 are summarized as follows:

	2020	2019
Capital assets being amortized		
Interest in regional park facilities	\$ 4,427,698	\$ 4,427,698
Less accumulated amortization	(536,692)	(402,519)
Capital assets, net	<u>\$ 3,891,006</u>	<u>\$ 4,025,179</u>

The District and the City of Fulshear (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developers are reimbursed. For the year ended September 30, 2020, capital assets in the amount of \$1,279,355 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

**Long-Term Debt and Related Liabilities**

As of September 30, 2020, the District owes approximately \$1,769,483 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$249,311 for a project under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At September 30, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2013	\$ 4,580,000	\$ 4,740,000
2014	7,230,000	7,440,000
2015	7,140,000	7,300,000
2016 Park	4,300,000	4,500,000
2017	2,250,000	2,400,000
2019	4,450,000	
	<u>\$ 29,950,000</u>	<u>\$ 26,380,000</u>

During the current year, the District issued \$4,450,000 in unlimited tax bonds. At September 30, 2020, the District had \$143,513,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$75,740,000 for parks and recreational facilities and the refunding of such bonds; and \$31,710,000 for road improvements and the refunding of such bonds.

***Fort Bend County Municipal Utility District No. 172  
Management's Discussion and Analysis  
September 30, 2020***

**Next Year's Budget**

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

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 908,228	\$ 980,800
Total expenditures	<u>(766,332)</u>	<u>(792,100)</u>
Revenues over expenditures	141,896	188,700
Beginning fund balance	2,101,536	2,243,432
Ending fund balance	<u>\$ 2,243,432</u>	<u>\$ 2,432,132</u>

**Property Taxes**

The District's property tax base increased approximately \$92,693,000 for the 2020 tax year from \$614,269,235 to \$706,961,779. This increase was primarily due to increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.13 per \$100 of assessed value, a debt service tax rate of \$0.265 per \$100 of assessed value, and a contract tax rate of \$0.695 per \$100 of assessed value, for a total combined tax rate of \$1.09 per \$100. Tax rates for the 2019 tax year were \$0.145 per \$100 for maintenance and operations, \$0.295 per \$100 for debt service, and \$0.695 per \$100 for contract tax for a combined total of \$1.135 per \$100 of assessed value.

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

As further discussed in Note 14, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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## **Basic Financial Statements**

**Fort Bend County Municipal Utility District No. 172**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 2,514	\$ 7,674	\$ -	\$ 10,188	\$ -	\$ 10,188
Investments	2,255,516	3,144,650	1,047,345	6,447,511		6,447,511
Taxes receivable	4,811	38,440		43,251		43,251
Due from City of Fulshear		8,819		8,819		8,819
Internal balances	701	(301)	(400)			
Capital assets, net					3,891,006	3,891,006
Total Assets	<u>\$ 2,263,542</u>	<u>\$ 3,199,282</u>	<u>\$ 1,046,945</u>	<u>\$ 6,509,769</u>	<u>3,891,006</u>	<u>10,400,775</u>
<b>Liabilities</b>						
Accounts payable	\$ 14,863	\$ -	\$ -	\$ 14,863		14,863
Other payables	436	2,713		3,149		3,149
Accrued interest payable					85,281	85,281
Due to developers					1,769,483	1,769,483
Long-term debt						
Due within one year					1,015,000	1,015,000
Due after one year					28,507,355	28,507,355
Total Liabilities	<u>15,299</u>	<u>2,713</u>		<u>18,012</u>	<u>31,377,119</u>	<u>31,395,131</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	4,811	38,440		43,251	(43,251)	
Deferred City of Fulshear annual payment		8,819		8,819	(8,819)	
	<u>4,811</u>	<u>47,259</u>		<u>52,070</u>	<u>(52,070)</u>	
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		3,149,310	1,046,945	4,196,255	(4,196,255)	
Unassigned	2,243,432			2,243,432	(2,243,432)	
Total Fund Balances	<u>2,243,432</u>	<u>3,149,310</u>	<u>1,046,945</u>	<u>6,439,687</u>	<u>(6,439,687)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,263,542</u>	<u>\$ 3,199,282</u>	<u>\$ 1,046,945</u>	<u>\$ 6,509,769</u>		
<b>Net Position</b>						
Net investment in capital assets					(905,479)	(905,479)
Restricted for debt service					3,111,288	3,111,288
Unrestricted					(23,200,165)	(23,200,165)
Total Net Position					<u>\$ (20,994,356)</u>	<u>\$ (20,994,356)</u>

See notes to basic financial statements.

**Fort Bend County Municipal Utility District No. 172**

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 888,478	\$ 6,048,751	\$ -	\$ 6,937,229	\$ 11,952	\$ 6,949,181
Penalties and interest		29,547		29,547	4,519	34,066
City of Fulshear annual payment		331,450		331,450	8,819	340,269
Miscellaneous		756		756		756
Investment earnings	19,750	38,774	12,678	71,202		71,202
Total Revenues	908,228	6,449,278	12,678	7,370,184	25,290	7,395,474
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	85,750		58,153	143,903		143,903
Contracted services	10,080	72,815		82,895		82,895
Master District fees	640,800			640,800		640,800
Administrative	21,702	4,273		25,975		25,975
Other	8,000			8,000		8,000
Capital outlay			2,270,633	2,270,633	(2,270,633)	
Debt service						
Principal		880,000		880,000	(880,000)	
Interest and fees		1,047,768	25,545	1,073,313	15,731	1,089,044
Developer interest			92,640	92,640		92,640
Debt issuance costs			340,686	340,686		340,686
Contractual obligation		4,096,239		4,096,239		4,096,239
Amortization					134,173	134,173
Total Expenditures/Expenses	766,332	6,101,095	2,787,657	9,655,084	(3,000,729)	6,654,355
<b>Revenues Over/(Under)</b>						
Expenditures/Expenses	141,896	348,183	(2,774,979)	(2,284,900)	3,026,019	741,119
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds			4,450,000	4,450,000	(4,450,000)	
Repayment of bond anticipation note			(2,350,000)	(2,350,000)	2,350,000	
<b>Other Item</b>						
Transfers to other governments					(1,279,355)	(1,279,355)
<b>Net Change in Fund Balances</b>	141,896	348,183	(674,979)	(184,900)	184,900	
<b>Change in Net Position</b>					(538,236)	(538,236)
Fund Balance/Net Position						
Beginning of the year	2,101,536	2,801,127	1,721,924	6,624,587	(27,080,707)	(20,456,120)
<b>End of the year</b>	<u>\$ 2,243,432</u>	<u>\$ 3,149,310</u>	<u>\$ 1,046,945</u>	<u>\$ 6,439,687</u>	<u>\$ (27,434,043)</u>	<u>\$ (20,994,356)</u>

See notes to basic financial statements.



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***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

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

The accounting policies of Fort Bend County Municipal Utility District No. 172 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of Texas Commission on Environmental Quality, dated August 28, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on June 30, 2008 and the first bonds were issued on December 18, 2013.

The District’s primary activities include the provision of water, sewer, drainage, recreational and road facilities. As further discussed in Note 11, the District transfers certain facilities to the City of Fulshear upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt and contractual obligations to Fort Bend County Municipal Utility District No. 169 (the “Master District”). The primary sources of revenue for debt service is property taxes and the City of Fulshear annual payment. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and the Master District regional park facilities.

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

**Measurement Focus and Basis of Accounting**

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

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

**Measurement Focus and Basis of Accounting (continued)**

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

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

**Use of Restricted Resources**

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

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2020, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

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

**Capital Assets**

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

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

**Capital Assets (continued)**

The District's interest in regional park facilities is amortized using the straight-line method over the remaining life of the District's contract with Fort Bend County Municipal Utility District No. 169.

**Deferred Inflows and Outflows of Financial Resources**

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

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

**Net Position – Governmental Activities**

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

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

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

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

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

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

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

**Use of Estimates**

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

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 2 – Adjustment from Governmental to Government-wide Basis**

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

Total fund balance, governmental funds	\$ 6,439,687
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 4,427,698	
Less accumulated amortization	(536,692)	
Change due to capital assets		3,891,006

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

Bonds payable, net	(29,522,355)	
Interest payable on bonds	(85,281)	
Change due to long-term debt		(29,607,636)

Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(1,769,483)
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Receivables 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.

Property taxes	43,251	
City of Fulshear annual payment	8,819	
		52,070

Total net position - governmental activities	\$ (20,994,356)
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***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

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

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

Net change in fund balances - total governmental funds	\$	(184,900)
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Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference consists of:

Property taxes and penalties and interest	\$	16,471	
City of Fulshear annual payment		<u>8,819</u>	
			25,290

Governmental funds report capital outlays for developer reimbursements 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	2,270,633	
Amortization expense	<u>(134,173)</u>	
		2,136,460

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

Issuance of long-term debt	(4,450,000)	
Principal payments	880,000	
Repayment of bond anticipation note	2,350,000	
Interest expense accrual	<u>(15,731)</u>	
		(1,235,731)

The District conveys its infrastructure to the City of Fulshear upon completion of construction. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments.

(1,279,355)

Change in net position of governmental activities	<u>\$</u>	<u>(538,236)</u>
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**Fort Bend County Municipal Utility District No. 172**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

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

**Investments**

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

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

As of September 30, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,255,516	AAAm	38 days
	Debt Service	3,144,650		
	Capital Projects	1,047,345		
Total		<u>\$ 6,447,511</u>		

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

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

**TexPool**

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

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

**Investment Credit and Interest Rate Risk**

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

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at September 30, 2020, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 301	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	400	Bond application fees paid by the General Fund

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

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 5 – Capital Assets**

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

	Beginning Balances	Adjustments	Ending Balances
Capital assets being amortized			
Interest in regional park facilities	\$ 4,427,698	\$ -	\$ 4,427,698
Less accumulated amortization	(402,519)	(134,173)	(536,692)
Capital assets, net	<u>\$ 4,025,179</u>	<u>\$ (134,173)</u>	<u>\$ 3,891,006</u>

Amortization expense for the current year was \$134,173.

**Note 6 – Bond Anticipation Note**

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,350,000. This BAN was repaid on December 17, 2019 with proceeds from the issuance of the District's Series 2019 Unlimited Tax Bonds.

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

Beginning balance	\$ 2,350,000
Amounts repaid	(2,350,000)
Ending balance	<u>\$ -</u>

**Note 7 – Due to Developers**

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

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 7 – Due to Developers (continued)**

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

Due to developers, beginning of year	\$ 2,760,761
Developer funded construction and adjustments	1,279,355
Developer reimbursements	<u>(2,270,633)</u>
Due to developers, end of year	<u>\$ 1,769,483</u>

In addition, the District will owe the developers approximately \$249,311, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Morgan Spur Drive Extension No. 1 - utilities	\$ 249,311	\$ -	\$ 249,311

**Note 8 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 29,950,000
Unamortized discounts	<u>(427,645)</u>
	<u>\$ 29,522,355</u>
 Due within one year	 <u>\$ 1,015,000</u>

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 8 – Long-Term Debt (continued)**

The District's bonds payable at September 30, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 4,580,000	\$ 5,305,000	3.00% - 5.00%	September 1, 2014/2037	March 1, September 1	September 1, 2021
2014	7,230,000	8,180,000	2.25% - 4.125%	September 1, 2016/2039	March 1, September 1	September 1, 2022
2015	7,140,000	7,730,000	2.00% - 4.00%	September 1, 2017/2040	March 1, September 1	September 1, 2023
2016 Park	4,300,000	4,900,000	2.00% - 4.00%	September 1, 2018/2041	March 1, September 1	September 1, 2024
2017	2,250,000	2,700,000	2.00% - 3.50%	September 1, 2018/2042	March 1, September 1	September 1, 2025
2019	4,450,000	4,450,000	2.00% - 3.00%	September 1, 2021/2043	March 1, September 1	September 1, 2025
	<u>\$ 29,950,000</u>					

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

At September 30, 2020, the District had authorized but unissued bonds in the amount of \$143,513,000 for water, sewer and drainage facilities and the refunding of such bonds; \$75,740,000 for park and recreational facilities and the refunding of such bonds; and \$31,710,000 for road facilities and the refunding of such bonds.

On December 17, 2019, the District issued its \$4,450,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 2.968108%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a \$2,350,000 BAN issued in the previous fiscal year.

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

Bonds payable, beginning of year	\$ 26,380,000
Bonds issued	4,450,000
Bonds retired	(880,000)
Bonds payable, end of year	<u>\$ 29,950,000</u>

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 8 – Long-Term Debt (continued)**

As of September 30, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 1,015,000	\$ 1,058,663	\$ 2,073,663
2022	1,040,000	1,032,987	2,072,987
2023	1,075,000	1,004,660	2,079,660
2024	1,110,000	973,464	2,083,464
2025	1,150,000	940,552	2,090,552
2026	1,185,000	905,276	2,090,276
2027	1,235,000	867,881	2,102,881
2028	1,280,000	827,394	2,107,394
2029	1,325,000	784,082	2,109,082
2030	1,365,000	738,570	2,103,570
2031	1,410,000	689,182	2,099,182
2032	1,460,000	637,638	2,097,638
2033	1,595,000	582,531	2,177,531
2034	1,635,000	522,469	2,157,469
2035	1,675,000	459,544	2,134,544
2036	1,720,000	394,694	2,114,694
2037	1,785,000	326,981	2,111,981
2038	1,775,000	254,194	2,029,194
2039	1,815,000	185,350	2,000,350
2040	1,300,000	114,000	1,414,000
2041	900,000	64,000	964,000
2042	600,000	33,500	633,500
2043	500,000	15,000	515,000
	<u>\$ 29,950,000</u>	<u>\$ 13,412,612</u>	<u>\$ 43,362,612</u>

**Note 9 – Property Taxes**

On May 8, 2010, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and \$0.25 per \$100 of assessed value for maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 9 – Property Taxes (continued)**

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$1.135 per \$100 of assessed value, of which \$0.145 was allocated to maintenance and operations, \$0.295 was allocated to debt service, and \$0.695 was allocated to contract tax. The resulting tax levy was \$6,971,956 on the adjusted taxable value of \$614,269,235.

Property taxes receivable, at September 30, 2020, consisted of the following:

Current year taxes receivable	\$	15,203
Prior years taxes receivable		17,743
		<hr/> 32,946
Penalty and interest receivable		10,305
Property taxes receivable	\$	<hr/> <hr/> 43,251

**Note 10 – Transfers to Other Governments**

In accordance with an agreement between the District and the City of Fulshear (the "City"), the District transfers certain facilities to the City (see Note 11). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended September 30, 2020, the District reported transfers to other governments in the amount of \$1,279,355 for projects completed and transferred to the City.

**Note 11 – Utility Agreement**

On May 14, 2010, the District entered into a Utility Agreement, as subsequently amended, (the "Utility Agreement") with the City for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities (the "System") to serve the District. As the System is acquired or constructed, the District will transfer the System (except for detention ponds and drainage ditches) to the City but will reserve a security interest in the System. The Utility Agreement terminates May 14, 2044, unless otherwise previously terminated.

The City will establish water and sewer rates and charges to all users in the District. All revenue derived from these charges belongs to the City. The City levies and collects ad valorem taxes on taxable property within the District as it does with any other property located in the City.

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 11 – Utility Agreement (continued)**

The Utility Agreement, as amended on July 16, 2019, provides that the City will pay an annual payment to the District on February 28th of each year, until and including February 28, 2045, (the “Annual Payment”); provided, however the City will not be required to pay the Annual Payment to the District once the District no longer owes any debt service on unlimited tax bonds issued to finance the internal water, wastewater and drainage facilities as described below. The Utility Agreement provides that the Annual Payment shall be deposited by the District into a debt service fund and allocated only to the payment of debt service on unlimited tax bonds issued by the District to finance the District’s internal water, wastewater and drainage facilities (except any detention ponds, drainage channels and non-potable water facilities). The Annual Payment may not be used to pay the District’s contractual obligation on contract revenue bonds issued by the Master District to finance regional facilities. For the fiscal year ended September 30, 2020, the District recognized \$340,269 for the City Annual Payment.

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

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

**Note 12 – Master District**

On May 14, 2010, the District entered into a Contract for Financing, Operation and Maintenance of Regional Facilities (the “Contract”) with Fort Bend County Municipal Utility District No. 169 (the “Master District”), as subsequently amended, whereby the Master District agrees to provide or cause to be provided the regional water, wastewater, drainage, park and recreational and road facilities necessary to serve all districts located within the Master District’s service area, which is approximately 3,294 acres (which includes the District). Facilities (other than parks, detention ponds, drainage ditches and non-potable water facilities) are conveyed to or accepted by the City pursuant to a Utility Agreement between the City and the Master District and City ordinance.

The Master District will charge each participating district a monthly fee for Master District operating and maintenance expenses based on the unit cost per connection, currently \$30, multiplied by the number of equivalent single-family connections reserved to the district. During the current year, the District recorded \$640,800 for the District’s share of Master District operating and maintenance expenses pursuant to the Contract.



***Fort Bend County Municipal Utility District No. 172***  
***Notes to Basic Financial Statements***  
***September 30, 2020***

**Note 12 – Master District (continued)**

The Master District will finance park and recreational facilities by imposing park construction charges on all participating districts. These park construction charges will be calculated by the Master District from time to time based on each participating district's pro-rata share of total connections and total construction costs, as of the date the park construction charges are imposed. The District will be obligated to issue park bonds, or use available surplus operating funds, to pay the park construction charges, but the District is not required to issue park bonds in an amount that exceeds any legal limit. Under Chapter 49 of the Texas Water Code, the outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. During the current year, the District did not pay any park construction charges to the Master District.

The Master District is authorized to issue contract revenue bonds for the purpose of acquiring and constructing regional water, wastewater, drainage and road facilities needed to provide services to all participating districts. The District shall contribute annually to the payment of debt service requirements based on its annual pro rata share of the total certified assessed valuation of all participating districts. For the 2019 tax year, the District's pro rata share is 38.63%. The District levied a contract tax rate of \$0.695 per \$100 of assessed valuation and paid \$4,096,239 to the Master District for its pro rata share of Master District debt service requirements.

As of September 30, 2020, the Master District has \$159,640,000 in contract revenue bonds outstanding. The Master District's debt service requirements on contract revenue bonds outstanding are as follows:

Year	Principal	Interest	Total
2021	\$ 5,950,000	\$ 4,651,601	\$ 10,601,601
2022	6,615,000	4,585,444	11,200,444
2023	6,725,000	4,382,850	11,107,850
2024	6,420,000	4,188,756	10,608,756
2025	6,535,000	4,003,131	10,538,131
2026 - 2030	34,630,000	17,265,491	51,895,491
2031 - 2035	38,250,000	12,037,066	50,287,066
2036 - 2040	35,455,000	5,950,441	41,405,441
2041 - 2045	18,340,000	1,320,637	19,660,637
2046	720,000	9,000	729,000
	<u>\$ 159,640,000</u>	<u>\$ 58,394,417</u>	<u>\$ 218,034,417</u>

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

**Note 13 – Risk Management**

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

**Note 14 – Infectious Disease Outlook (COVID-19)**

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.

**Note 15 - Subsequent Events**

**Master District Debt Issuance**

On December 9, 2020, the Master District issued its \$13,500,000 Series 2020C Contract Revenue Bonds at a net effective rate of 2.647198%. Proceeds from the bonds were used to reimburse the developers for infrastructure improvements constructed to serve the Master District service area and to repay the Master District Series 2020 Bond Anticipation Note.

**Issuance of Unlimited Tax Bonds**

On December 16, 2020, the District issued its \$1,480,000 Series 2020 Unlimited Tax Bonds at a net effective rate of 2.208998%. Proceeds from the bonds were used to reimburse the District’s developers for infrastructure improvements in the District.

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## **Required Supplementary Information**

*Fort Bend County Municipal Utility District No. 172*

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

*For the Year Ended September 30, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 865,500	\$ 888,478	\$ 22,978
Investment earnings	44,000	19,750	(24,250)
Total Revenues	909,500	908,228	(1,272)
<b>Expenditures</b>			
Operating and administrative			
Professional fees	97,000	85,750	11,250
Contracted services	11,000	10,080	920
Master District fees	651,240	640,800	10,440
Administrative	34,750	21,702	13,048
Other		8,000	(8,000)
Total Expenditures	793,990	766,332	27,658
<b>Revenues Over Expenditures</b>	115,510	141,896	26,386
<b>Fund Balance</b>			
Beginning of the year	2,101,536	2,101,536	
End of the year	\$ 2,217,046	\$ 2,243,432	\$ 26,386

***Fort Bend County Municipal Utility District No. 172***  
***Notes to Required Supplementary Information***  
***September 30, 2020***

**Budgets and Budgetary Accounting**

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

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## **Texas Supplementary Information**



**Fort Bend County Municipal Utility District No. 172**

**TSI-1. Services and Rates**

**September 30, 2020**

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

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

2. Retail Service Providers

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

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

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

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

**Fort Bend County Municipal Utility District No. 172**

**TSI-1. Services and Rates**

**September 30, 2020**

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

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

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

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

(You may omit this information if your district does not levy standby fees)

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

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

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

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

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

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

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: \_\_\_\_\_

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

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-2 General Fund Expenditures*  
*For the Year Ended September 30, 2020*

Professional fees		
Legal	\$	65,014
Audit		11,000
Engineering		9,736
		<u>85,750</u>
Contracted services		
Bookkeeping		<u>10,080</u>
Master District fees		<u>640,800</u>
Administrative		
Directors fees		9,750
Printing and office supplies		745
Insurance		3,742
Other		7,465
		<u>21,702</u>
Other		<u>8,000</u>
Total expenditures	\$	<u><u>766,332</u></u>

Reporting of Utility Services in Accordance with HB 3693:

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-3. Investments*  
*September 30, 2020*

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	<u>\$ 2,255,516</u>
Debt Service			
TexPool	Variable	N/A	2,107,280
TexPool	Variable	N/A	8,750
TexPool	Variable	N/A	<u>1,028,620</u>
			<u>3,144,650</u>
Capital Projects			
TexPool	Variable	N/A	946,633
TexPool	Variable	N/A	<u>100,712</u>
			<u>1,047,345</u>
Total - All Funds			<u><u>\$ 6,447,511</u></u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 172**  
**TSI-4. Taxes Levied and Receivable**  
**September 30, 2020**

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 3,346	\$ 5,246	\$ 12,403	\$ 20,995
Adjustments to Prior Year Tax Levy	(2,997)	(4,530)	(10,717)	(18,244)
Adjusted Receivable	349	716	1,686	2,751
2019 Original Tax Levy	891,289	1,813,312	4,272,040	6,976,641
Adjustments	(599)	(1,218)	(2,868)	(4,685)
Adjusted Tax Levy	890,690	1,812,094	4,269,172	6,971,956
Total to be accounted for	891,039	1,812,810	4,270,858	6,974,707
Tax collections:				
Current year	888,748	1,808,143	4,259,862	6,956,753
Prior years	(2,520)	(3,703)	(8,769)	(14,992)
Total Collections	886,228	1,804,440	4,251,093	6,941,761
Taxes Receivable, End of Year	\$ 4,811	\$ 8,370	\$ 19,765	\$ 32,946
Taxes Receivable, By Years				
2019	\$ 1,942	\$ 3,951	\$ 9,310	\$ 15,203
2018	1,330	2,308	5,437	9,075
2017	677	1,025	2,414	4,116
2016	862	\$ 1,086	\$ 2,604	4,552
Taxes Receivable, End of Year	\$ 4,811	\$ 8,370	\$ 19,765	\$ 32,946
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 135,945,758	\$ 128,107,772	\$ 123,915,592	\$ 113,703,252
Improvements	502,243,739	447,483,294	429,225,051	412,277,100
Personal Property	6,565,350	5,266,850	4,479,090	3,403,127
Exemptions	(30,485,612)	(15,465,423)	(15,431,976)	(11,739,107)
Total Property Valuations	\$ 614,269,235	\$ 565,392,493	\$ 542,187,757	\$ 517,644,372
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.145	\$ 0.170	\$ 0.195	\$ 0.230
Debt service tax rates	0.295	0.295	0.295	0.290
Contract tax rates	0.695	0.695	0.695	0.695
Total Tax Rates per \$100 Valuation	\$ 1.135	\$ 1.160	\$ 1.185	\$ 1.215
Adjusted Tax Levy:	\$ 6,971,956	\$ 6,558,553	\$ 6,424,925	\$ 6,289,379
Percentage of Taxes Collected to Taxes Levied ***	99.78%	99.86%	99.94%	99.93%

\* Maximum Maintenance Tax Rate Approved by Voters for water, wastewater, drainage and recreational facilities: \$1.50 on May 8, 2010

\*\* Maximum Maintenance Tax Rate Approved by Voters for road facilities: \$0.25 on May 8, 2010

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

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2013--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 170,000	\$ 208,000	\$ 378,000
2022	180,000	202,560	382,560
2023	190,000	196,440	386,440
2024	200,000	189,600	389,600
2025	210,000	182,000	392,000
2026	220,000	173,600	393,600
2027	235,000	164,800	399,800
2028	245,000	154,813	399,813
2029	260,000	143,788	403,788
2030	275,000	132,088	407,088
2031	290,000	119,025	409,025
2032	305,000	105,250	410,250
2033	320,000	90,000	410,000
2034	340,000	74,000	414,000
2035	360,000	57,000	417,000
2036	380,000	39,000	419,000
2037	400,000	20,000	420,000
	<u>\$ 4,580,000</u>	<u>\$ 2,251,964</u>	<u>\$ 6,831,964</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2014--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 225,000	\$ 274,531	\$ 499,531
2022	235,000	268,906	503,906
2023	250,000	261,856	511,856
2024	265,000	254,356	519,356
2025	280,000	246,406	526,406
2026	295,000	237,306	532,306
2027	320,000	226,981	546,981
2028	340,000	215,381	555,381
2029	355,000	202,631	557,631
2030	370,000	189,319	559,319
2031	385,000	174,519	559,519
2032	400,000	159,119	559,119
2033	425,000	143,119	568,119
2034	445,000	126,119	571,119
2035	465,000	108,319	573,319
2036	490,000	89,719	579,719
2037	510,000	69,506	579,506
2038	575,000	48,469	623,469
2039	600,000	24,750	624,750
	<u>\$ 7,230,000</u>	<u>\$ 3,321,312</u>	<u>\$ 10,551,312</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2015--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 170,000	\$ 248,194	\$ 418,194
2022	175,000	244,583	419,583
2023	185,000	240,426	425,426
2024	195,000	235,570	430,570
2025	210,000	230,208	440,208
2026	220,000	224,433	444,433
2027	230,000	218,163	448,163
2028	245,000	211,263	456,263
2029	260,000	203,913	463,913
2030	270,000	195,788	465,788
2031	285,000	187,013	472,013
2032	305,000	177,394	482,394
2033	400,000	167,100	567,100
2034	400,000	153,600	553,600
2035	400,000	139,600	539,600
2036	400,000	125,600	525,600
2037	425,000	111,600	536,600
2038	750,000	94,600	844,600
2039	765,000	64,600	829,600
2040	850,000	34,000	884,000
	<u>\$ 7,140,000</u>	<u>\$ 3,507,648</u>	<u>\$ 10,647,648</u>

See accompanying auditors' report.



*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2016 Park--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 200,000	\$ 141,000	\$ 341,000
2022	200,000	135,000	335,000
2023	200,000	129,000	329,000
2024	200,000	123,000	323,000
2025	200,000	117,000	317,000
2026	200,000	111,000	311,000
2027	200,000	105,000	305,000
2028	200,000	99,000	299,000
2029	200,000	93,000	293,000
2030	200,000	87,000	287,000
2031	200,000	81,000	281,000
2032	200,000	75,000	275,000
2033	200,000	68,500	268,500
2034	200,000	62,000	262,000
2035	200,000	55,500	255,500
2036	200,000	49,000	249,000
2037	200,000	42,250	242,250
2038	200,000	35,250	235,250
2039	200,000	28,000	228,000
2040	200,000	20,000	220,000
2041	300,000	12,000	312,000
	<u>\$ 4,300,000</u>	<u>\$ 1,668,500</u>	<u>\$ 5,968,500</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 150,000	\$ 68,500	\$ 218,500
2022	100,000	65,500	165,500
2023	100,000	63,500	163,500
2024	100,000	60,500	160,500
2025	100,000	57,500	157,500
2026	100,000	54,500	154,500
2027	100,000	51,500	151,500
2028	100,000	48,500	148,500
2029	100,000	45,500	145,500
2030	100,000	42,500	142,500
2031	100,000	39,500	139,500
2032	100,000	36,500	136,500
2033	100,000	33,375	133,375
2034	100,000	30,250	130,250
2035	100,000	27,125	127,125
2036	100,000	23,875	123,875
2037	100,000	20,625	120,625
2038	100,000	17,375	117,375
2039	100,000	14,000	114,000
2040	100,000	10,500	110,500
2041	100,000	7,000	107,000
2042	100,000	3,500	103,500
	<u>\$ 2,250,000</u>	<u>\$ 821,625</u>	<u>\$ 3,071,625</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 100,000	\$ 118,438	\$ 218,438
2022	150,000	116,438	266,438
2023	150,000	113,438	263,438
2024	150,000	110,438	260,438
2025	150,000	107,438	257,438
2026	150,000	104,437	254,437
2027	150,000	101,437	251,437
2028	150,000	98,437	248,437
2029	150,000	95,250	245,250
2030	150,000	91,875	241,875
2031	150,000	88,125	238,125
2032	150,000	84,375	234,375
2033	150,000	80,437	230,437
2034	150,000	76,500	226,500
2035	150,000	72,000	222,000
2036	150,000	67,500	217,500
2037	150,000	63,000	213,000
2038	150,000	58,500	208,500
2039	150,000	54,000	204,000
2040	150,000	49,500	199,500
2041	500,000	45,000	545,000
2042	500,000	30,000	530,000
2043	500,000	15,000	515,000
	<u>\$ 4,450,000</u>	<u>\$ 1,841,563</u>	<u>\$ 6,291,563</u>

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 172*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*September 30, 2020*

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 1,015,000	\$ 1,058,663	\$ 2,073,663
2022	1,040,000	1,032,987	2,072,987
2023	1,075,000	1,004,660	2,079,660
2024	1,110,000	973,464	2,083,464
2025	1,150,000	940,552	2,090,552
2026	1,185,000	905,276	2,090,276
2027	1,235,000	867,881	2,102,881
2028	1,280,000	827,394	2,107,394
2029	1,325,000	784,082	2,109,082
2030	1,365,000	738,570	2,103,570
2031	1,410,000	689,182	2,099,182
2032	1,460,000	637,638	2,097,638
2033	1,595,000	582,531	2,177,531
2034	1,635,000	522,469	2,157,469
2035	1,675,000	459,544	2,134,544
2036	1,720,000	394,694	2,114,694
2037	1,785,000	326,981	2,111,981
2038	1,775,000	254,194	2,029,194
2039	1,815,000	185,350	2,000,350
2040	1,300,000	114,000	1,414,000
2041	900,000	64,000	964,000
2042	600,000	33,500	633,500
2043	500,000	15,000	515,000
	<u>\$ 29,950,000</u>	<u>\$ 13,412,612</u>	<u>\$ 43,362,612</u>

See accompanying auditors' report.

**Fort Bend County Municipal Utility District No. 172**  
**TSI-6. Change in Long-Term Bonded Debt**  
**September 30, 2020**

	Bond Issue			
	Series 2013	Series 2014	Series 2015	Series 2016 Park
Interest rate	3.00% - 5.00%	2.25% - 4.125%	2.00% - 4.00%	2.00% - 4.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/14 - 9/1/37	9/1/16 - 9/1/39	9/1/17 - 9/1/40	9/1/18 - 9/1/41
Beginning bonds outstanding	\$ 4,740,000	\$ 7,440,000	\$ 7,300,000	\$ 4,500,000
Bonds issued				
Bonds retired	(160,000)	(210,000)	(160,000)	(200,000)
Ending bonds outstanding	<u>\$ 4,580,000</u>	<u>\$ 7,230,000</u>	<u>\$ 7,140,000</u>	<u>\$ 4,300,000</u>
Interest paid during fiscal year	<u>\$ 212,800</u>	<u>\$ 279,256</u>	<u>\$ 251,395</u>	<u>\$ 145,000</u>
Paying agent's name and city				
All Series	<u>The Bank of New York Mellon Trust Company, N.A. Dallas, Texas</u>			
		Parks and		
	Water, Sewer and	Recreational	Road	
Bond Authority:	Drainage Bonds	Bonds	Bonds	
Amount Authorized by Voters	\$ 171,878,000	\$ 80,640,000	\$ 31,710,000	
Amount Issued	(28,365,000)	(4,900,000)		
Remaining To Be Issued	<u>\$ 143,513,000</u>	<u>\$ 75,740,000</u>	<u>\$ 31,710,000</u>	

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

Debt Service Fund cash and investment balances as of September 30, 2020: \$ 3,152,324

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,885,331

See accompanying auditors' report.

Bond Issue		Totals
Series 2017	Series 2019	
2.00% - 3.50%	2.00% - 3.00%	
3/1; 9/1	3/1; 9/1	
9/1/18 - 9/1/42	9/1/21 - 9/1/43	
\$ 2,400,000	\$ -	\$ 26,380,000
	4,450,000	4,450,000
(150,000)		(880,000)
<u>\$ 2,250,000</u>	<u>\$ 4,450,000</u>	<u>\$ 29,950,000</u>
<u>\$ 71,500</u>	<u>\$ 88,828</u>	<u>\$ 1,048,779</u>

***Fort Bend County Municipal Utility District No. 172***

***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***

***For the Last Five Fiscal Years***

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 888,478	\$ 961,216	\$ 1,057,826	\$ 1,199,470	\$ 1,231,366
Investment earnings	19,750	47,714	24,639	6,111	795
Total Revenues	908,228	1,008,930	1,082,465	1,205,581	1,232,161
Expenditures					
Operating and administrative					
Professional fees	85,750	91,112	86,293	158,328	102,013
Contracted services	10,080	9,600	9,500	9,680	9,620
Repairs and maintenance				40,000	
Master District fees	640,800	618,930	526,470	568,170	457,200
Administrative	21,702	17,532	15,802	19,151	17,547
Other	8,000				
Total Expenditures	766,332	737,174	638,065	795,329	586,380
Revenues Over Expenditures	\$ 141,896	\$ 271,756	\$ 444,400	\$ 410,252	\$ 645,781

\* Percent is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
98%	95%	98%	99%	100%
2%	5%	2%	1%	*
100%	100%	100%	100%	100%
9%	9%	8%	13%	8%
1%	1%	1%	1%	1%
			3%	
71%	61%	49%	47%	37%
2%	2%	1%	2%	1%
1%				
84%	73%	59%	66%	47%
16%	27%	41%	34%	53%



**Fort Bend County Municipal Utility District No. 172**

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

**For the Last Five Fiscal Years**

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 6,048,751	\$ 5,596,662	\$ 5,366,443	\$ 5,112,897	\$ 3,998,379
Penalties and interest	29,547	19,751	25,137	50,373	24,083
City of Fulshear tax rebates/annual payment	331,450	307,672	286,553	251,658	221,102
Accrued interest on bonds sold			4,090	5,525	10,111
Miscellaneous	756	120	280	120	90
Investment earnings	38,774	108,332	67,531	25,418	4,016
Total Revenues	6,449,278	6,032,537	5,750,034	5,445,991	4,257,781
Expenditures					
Tax collection services	77,088	78,725	72,482	77,029	53,424
Debt service					
Principal	880,000	855,000	830,000	450,000	300,000
Interest and fees	1,047,768	982,601	982,501	896,174	724,155
Contractual obligation	4,096,239	3,751,675	3,665,371	3,412,723	2,677,799
Total Expenditures	6,101,095	5,668,001	5,550,354	4,835,926	3,755,378
Revenues Over Expenditures	\$ 348,183	\$ 364,536	\$ 199,680	\$ 610,065	\$ 502,403

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
94%	93%	93%	94%	94%
*	*	*	1%	1%
5%	5%	6%	5%	5%
		*	*	*
*	*	*	*	*
1%	2%	1%	*	*
100%	100%	100%	100%	100%
1%	1%	1%	1%	1%
14%	14%	14%	8%	7%
16%	16%	17%	16%	17%
64%	62%	64%	63%	63%
95%	93%	96%	88%	88%
5%	7%	4%	12%	12%

***Fort Bend County Municipal Utility District No. 172***  
***TSI-8. Board Members, Key Personnel and Consultants***  
***For the Year Ended September 30, 2020***

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, TX 77027  
District Business Telephone Number: (713) 860-6400  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): May 12, 2020  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Kenneth Martinec	05/20 - 05/24	\$ 1,650	\$ 225	President
Kevin Shipley	11/18 - 05/22	1,800	87	Vice President
William Martin	05/20 - 05/24	3,750	408	Secretary
Shannon Lopez	05/18 - 05/22	1,350	35	Assistant Vice President
Jennifer Quade	05/18 - 05/22	1,200	104	Assistant Secretary
<b>Consultants</b>				
Allen Boone Humphries Robinson LLP	2008	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 74,371		
<i>Bond counsel</i>		126,517		
F. Matuska, Inc.	2010	11,129		Bookkeeper
Assessments of the Southwest, Inc.	2010	25,408		Tax Collector
Fort Bend Central Appraisal District	Legislation	43,026		Property Valuation
Perdue Brandon Fielder Collins & Mott, LLP	2011	4,380		Delinquent Tax Attorney
BGE, Inc.	2010	9,736		Engineer
McGrath & Co., PLLC	2013	18,000		Auditor
Masterson Advisors, LLC	2018	89,828		Financial Advisor

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