

PRELIMINARY OFFICIAL STATEMENT DATED MAY 17, 2021

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

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES, AND INTEREST ON 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 NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

\$4,000,000

MISSOURI CITY MANAGEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX ROAD BONDS, SERIES 2021

Dated: August 1, 2021

Due: September 1, as shown below

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from August 1, 2021, and be payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to 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."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

Table with 10 columns: Due, Principal, Interest, Initial Reoffering Yield, CUSIP Number, Due, Principal, Interest, Initial Reoffering Yield, CUSIP Number. Rows list bond terms from 2022 to 2034.

- (a) The Initial Purchaser (as defined herein) may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
(b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser.
(c) CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds.
(d) Bonds maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Bonds, when issued, will constitute valid and legally binding obligations of Missouri City Management District No. 1 (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 located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Missouri City or any entity other than the District. The Bonds are subject to special investment risks described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about August 17, 2021.

Bids Due: Monday, July 19, 2021, at 10:00 a.m., Houston Time in Houston, Texas
Bid Award: Monday, July 19, 2021, at 12:00 p.m., Houston Time in Missouri City, Texas

This Preliminary Official Statement and 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.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT3
OFFICIAL STATEMENT SUMMARY4
SELECTED FINANCIAL INFORMATION7
RISK FACTORS8
THE BONDS16
BOOK-ENTRY-ONLY SYSTEM21
THE DISTRICT22
MANAGEMENT24
THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS25
UTILITY AGREEMENT BETWEEN DISTRICT AND CITY OF MISSOURI CITY26
ROAD SYSTEM27
WATER AND SEWER SYSTEM27
USE AND DISTRIBUTION OF BOND PROCEEDS28
UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED29
FINANCIAL STATEMENT (UNAUDITED)29
ESTIMATED OVERLAPPING DEBT STATEMENT30
TAX DATA31
TAX PROCEDURES33
WATER AND SEWER OPERATIONS39
DEBT SERVICE REQUIREMENTS40
LEGAL MATTERS41
TAX MATTERS42
SALE AND DISTRIBUTION OF THE BONDS44
PREPARATION OF OFFICIAL STATEMENT44
CONTINUING DISCLOSURE OF INFORMATION46
MISCELLANEOUS48

AERIAL PHOTOGRAPH
PHOTOGRAPHS
INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED DECEMBER 31, 2020APPENDIX A

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States 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 Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT - Updating the Official Statement.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

- The Issuer* Missouri City Management District No. 1 (the “District”), a political subdivision of the State of Texas, is located in Fort Bend County, Texas and within the corporate limits of the City of Missouri City (the “City”). See “THE DISTRICT.”
- The Issue* \$4,000,000 Unlimited Tax Road Bonds, Series 2021 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from August 1, 2021, and is payable on March 1, 2022, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. See “THE BONDS.”
- Redemption*..... The Bonds maturing on and after September 1, 2028, 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, 2027, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.”
- Book-Entry-Only System*... The Depository Trust Company, New York, New York (“DTC”) 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.”
- Authority for Issuance*..... The Bonds are being issued by the District pursuant to the terms and conditions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Chapter 375, Texas Local Government Code, Chapter 3931, Texas Special District Local Laws Code, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”
- Source of Payment*..... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES.” The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, the City or any other political subdivision or entity other than the District. See “THE BONDS-Source of and Security for Payment.”
- Use of Proceeds* Proceeds from the sale of the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including developer interest, twelve months of capitalized interest and to pay certain other costs and fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Payment Record*..... The District has no prior debt history.
- Qualified Tax-Exempt Obligations*..... The District will not designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
- Municipal Bond Rating*..... No application has been made to a credit rating service, nor is it expected that the District would have been successful in obtaining an investment grade rating had such application been made.

Future Debt.....The District has authorized the preparation of an application to the TCEQ for the approval of bonds and anticipates the issuance of such bonds in the first quarter of 2022.

Legal Opinion..... Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.

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

Financial Advisor Post Oak Municipal Advisors LLC, Houston, Texas.

Engineer Jones & Carter, Inc., Houston, Texas.

Risk Factors..... The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “RISK FACTORS.”

THE DISTRICT

Description The District was organized, created and established by House Bill No. 4147, 84th Regular Session of the Texas Legislature, codified as Chapter 3931, Texas Special District Local Laws Code, effective July 15, 2015. The District contains approximately 493 acres of land comprised of three non-contiguous tracts located approximately 21 miles southwest of downtown Houston. Two of the tracts are located on the west side of the Fort Bend Parkway Toll Road and north of Texas State Highway 6 (“SH6”). The remaining tract is located southeast of the intersection of Fort Bend Parkway Toll Road and SH6. The District lies entirely within the corporate limits of the City and within the boundaries of the Fort Bend Independent School District. See “AERIAL PHOTOGRAPH.”

Status of Development..... The residential portion of the District is being developed as Parks Edge and Shipman’s Cove, predominantly single-family residential communities. The Developers (as defined herein) have financed the design and construction of water, sanitary sewer and drainage facilities to serve Parks Edge, Sections 3 through 19 (approximately 213 acres of land developed into 870 single-family residential lots), and Shipman’s Cove, Sections 1 and 2 (approximately 66 acres of land developed into 274 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. Home construction in the District began in December 2020 and, as of April 30, 2021, there were 248 completed homes (189 occupied), 104 homes under construction or lots owned by a builder, and approximately 199 vacant developed lots available for home construction. Homebuilding in Parks Edge is being conducted by D.R. Horton, and homebuilding in Shipman’s Cove is being conducted by Ashton Woods and M/I Homes. New homes in the District range in offering prices from approximately \$220,000 to \$400,000.

In addition to the development described above, the District contains a gas station with a convenience store on approximately 2.40 acres. The District contains an approximately 15.90 acre site owned by the Fort Bend Independent School District which is planned for an elementary school and is not subject to ad valorem taxation by the District, a recreation center with a pool on approximately 3.30 acres, parks and open space on approximately 4.63 acres, lakes and detention areas on approximately 50.40 acres and approximately 86.17 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 50.23 acres of land are contained in drainage easements, rights-of-way, and plants and not planned for future development.

The Developers The Developers in the District are (1) D.R. Horton-Texas, Ltd, a Texas limited partnership (“D.R. Horton”) and (2) Ashton Houston Residential, LLC, a Texas limited liability company (“Ashton Woods”), in partnership with M/I Homes of Houston, LLC, a Delaware limited liability company (“M/I and collectively with Ashton Woods, Ashton Woods-M/I”). D.R. Horton and Ashton Woods-M/I are collectively referred to as the “Developers”. D.R. Horton is the developer of Parks Edge and Ashton Woods-M/I is the developer of Shipman’s Cove.

Recent Extreme

Weather Events.....The greater Houston area, including the District, has experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 26, 2017 and Tropical Storm Imelda on September 19, 2019. While no facilities or homes had been built in the District prior to Hurricane Harvey, according to the District’s engineer, Imelda did not cause damage to the District’s water, sanitary sewer and drainage facilities, and there was no interruption of water and sewer service in the District. Further, to the best knowledge of the Developer and the engineer, no homes in the District experienced structural flooding or other material damage as a result of Tropical Storm Imelda. The District is located near the Gulf Coast and, as it has in the past, could be impacted by high winds and flooding causes by a hurricane, tornado, tropical storm or other adverse weather event.

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

Infectious Disease

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

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

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

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF INVESTMENT RISKS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

SELECTED FINANCIAL INFORMATION

2020 Certified Taxable Assessed Valuation.....	\$16,700,695 (a)
Estimated Taxable Assessed Valuation as of February 1, 2021.....	\$52,720,517 (b)
Gross Debt Outstanding (after issuance of the Bonds).....	\$4,000,000
Estimated Overlapping Debt.....	471,045 (c)
Gross Debt and Estimated Overlapping Debt.....	\$4,471,045
Ratio of Gross Debt to:	
2020 Certified Taxable Assessed Valuation.....	23.95%
Estimated Taxable Assessed Valuation as of February 1, 2021.....	7.59%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	26.77%
Estimated Taxable Assessed Valuation as of February 1, 2021.....	8.48%
Fund Balances Available as of May 17, 2021	
Operating Fund.....	\$4,055 (d)
Road Debt Service Fund.....	\$0 (e) (f)
Road Capital Projects Fund.....	\$0 (g)
2020 Tax Rate:	
Debt Service.....	\$0.00
Maintenance and Operations.....	<u>\$0.90</u>
Total.....	\$0.90
Projected Average Annual Debt Service Requirements (2022-2046) of the Bonds and the Outstanding Bonds ("Average Requirement").....	
	\$250,768
Taxrate required to pay Average Requirement based upon:	
2020 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$1.59 /\$100 A.V.
Estimated Taxable Assessed Valuation as of February 1, 2021 at a 95% collection rate.....	\$0.51 /\$100 A.V.
Projected Maximum Annual Debt Service Requirements (2022) of the Bonds and the Outstanding Bonds ("Maximum Requirement").....	
	\$255,000
Taxrate required to pay Maximum Requirement based upon:	
2020 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$1.61 /\$100 A.V.
Estimated Taxable Assessed Valuation as of February 1, 2021 at a 95% collection rate.....	\$0.51 /\$100 A.V.

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

(b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements on February 1, 2021. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2020 and January 1, 2021 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021 and increases in value occurring between January 1, 2021 and February 1, 2021 will be certified as of January 1, 2022 and provided for purposes of taxation in the fall of 2022. See "TAX PROCEDURES."

(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(d) See "Risk Factors – Operating Funds."

(e) To be initially funded upon closing of the Bonds with twelve (12) months of capitalized interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(f) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.

(g) To be initially funded upon closing of the Bonds.

PRELIMINARY OFFICIAL STATEMENT
\$4,000,000
MISSOURI CITY MANAGEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Fort Bend County)
UNLIMITED TAX ROAD BONDS, SERIES 2021

This Official Statement provides certain information in connection with the issuance by Missouri City Management District No. 1 (the “District”) of its \$4,000,000 Unlimited Tax Road Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to the Bond Resolution; an election held within the District; approval by the City; Article III, Section 52 of the Texas Constitution; and the general laws of the State of Texas, including Chapter 375 Texas Local Government Code and Chapter 3931, Texas Special District Local Laws Code.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefor.

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

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

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

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

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, including the District, has experienced historic levels of rainfall and widespread flooding following landfall of Hurricane Harvey on August 26, 2017 and Tropical Storm Imelda on September 19, 2019. While no facilities or homes had been built in the District prior to Hurricane Harvey, according to the District's engineer, Imelda did not cause damage to the District's water, sanitary sewer and drainage facilities, and there was no interruption of City water and sewer service in the District. Further, to the best knowledge of the Developer and the engineer, no homes in the District experienced structural flooding or other material damage as a result of Tropical Storm Imelda. The District is located near the Gulf Coast and, as it has in the past, could be impacted by high winds and flooding causes by a hurricane, tornado, tropical storm or other adverse weather event.

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

Specific Flood Type Risks

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. According to the District's Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Approximately 50.23 acres of undevelopable land within the District lie within the 100-year flood plain, but there are no plans to develop such land. Additionally, the District's storm water drainage system has been designed and constructed in accordance with current applicable regulatory standards for a development of this size and location.

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 of 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 residential homes and developed lots which are being marketed by the Developers for the construction of single-family

residences. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for property of this type and the construction of structures thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Markets and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such property 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.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which landowners 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 21 miles southwest of 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 or decline in the nation’s real estate and financial markets could adversely affect development in the District and restrain the growth of or reduce the value of the District’s property tax base.

Potential Effects of Oil Price Volatility on the Houston Area

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

Landowner Obligation to the District

There are no commitments from or obligations of the Developers (as defined herein) or any landowner 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 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 the District will increase or maintain its taxable value.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2020 Certified Taxable Assessed Valuation of the District is \$16,700,695 and the Estimated Taxable Assessed Valuation as of February 1, 2021, is \$52,720,517. After issuance of the Bonds, the maximum annual debt service requirement will be \$255,000 (2022) and the average annual debt service requirement will be \$250,768 (2022-2046). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$1.61 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$255,000 and a tax rate of \$1.59 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$250,768. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of February 1, 2021, and no use of funds other than tax collections, a tax rate of \$0.51 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$255,000 and a tax rate of \$0.51 per \$100

of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$250,768. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2020 Certified Taxable Assessed Valuation and Estimated Taxable Assessed Valuation as of February 1, 2021, the District makes no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See “TAX PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Overlapping Taxes

All of the land within the District is also within the corporate boundaries of the City of Missouri City. The City of Missouri City is responsible for the design, financing, and construction of all water wells, water and wastewater plants, and related facilities and all transmission and collection lines and mains necessary to transmit water to, and to take wastewater from, the District’s boundaries. The debt service on bonds issued by the City of Missouri City is paid from ad valorem taxes on all taxable value within the City, including taxable value in the District. Such City taxes are in addition to taxes levied by the District. To compare the relative tax burden on property within the District as contrasted with the property located in other real estate developments, the tax rate of the District, the City, and other taxing jurisdictions must be added together. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated within the District will be competitive with the tax rates of competing projects. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. The City of Missouri City levied a 2020 tax of \$0.5980 per \$100 of assessed valuation. Such rate, combined with the tax rate of the District, is higher than tax rates presently being levied by some special districts in the general vicinity of the District. Further, the City of Missouri City has sold multiple series of bonds to finance and maintain infrastructure within its boundaries. The District can make no representation that taxable property values in the District and the City of Missouri City will maintain value sufficient to support the continued payment of taxes by property owners. See “UTLILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MISSOURI CITY,” “FINANCIAL STATEMENT” and “TAX DATA—Tax Adequacy for Debt Service.”

Operating Funds

The District’s only significant sources of revenue to pay its operating expenses are advances from the Developers and maintenance tax proceeds. The District does not receive water and sewer revenues. The District levied a 2020 operation and maintenance tax rate of \$0.90 per \$100 of assessed valuation. The District’s unaudited Operating Fund balance on May 17, 2021, was \$4,055. Attaining and maintaining a positive Operating Fund balance will depend upon (1) advances from the Developers and (2) continued development and increased amounts of maintenance tax revenue. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District’s debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "GENERAL FUND."

Dependence on Principal Taxpayers

Based upon the certified 2020 tax rolls, the top ten taxpayers are responsible for approximately 46.28% of the District’s 2020 taxes (levied on \$10,156,530 in taxable property value). The principal taxpayer in the District is Lake Olympia Crossing LP (a gas station/convenience store), responsible for approximately 10.10% of the District’s 2020 taxes. The second, third, and fourth largest taxpayers are the real property accounts of D.R. Horton – Texas LTD, Ashton Houston Residential LLC & M/I Homes, and 272 Parks Edge Investments LLC, which when combined are responsible for approximately 19.17% of the District’s 2020 taxes. See “THE DISTRICT - Status of Development,” “THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS,” and “TAX DATA - Principal Taxpayers.” The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in

amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Undeveloped Acreage and Vacant Lots

There are approximately 86.17 developable acres of land within the District that have not been provided with water, sanitary sewer, storm drainage, and detention facilities and roads necessary for the construction of taxable improvements and approximately 102.30 acres where utility construction and/or paving are partially complete for 399 lots. There are currently 199 vacant developed lots available for home construction (158 lots in Parks Edge, and 41 lots in Shipman's Cove). The District makes no representation as to when or if development of this acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Status of Development."

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

Chapter 9 case only if it is (1) 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 Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A district may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of

planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a)

groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

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

Changes in Tax Legislation

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

Future Debt

The Developers have financed or are financing the engineering and construction costs of underground utilities to serve various subdivisions in the District, and certain other District improvements, including drainage facilities. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$6,100,141 (as of April 30, 2021) for design, construction and acquisition of District utilities, roads, and parks and recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission and state law. Additionally, the District presently contains approximately 86.17 acres of developable land not presently fully served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage and to finance roads and park and recreational facilities. The District makes no representation that any additional development will occur within the District. See “THE BONDS— Issuance of Additional Debt.”

The District has authorized the preparation of an application to the TCEQ for the approval of bonds and anticipates the issuance of such bonds in the first quarter of 2022.

THE BONDS

General

The Bonds will be dated and accrue interest from August 1, 2021, which interest is payable on March 1, 2022, and on each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on May 5, 2018, the voters of the District authorized the issuance of a total of \$95,775,000 principal amount of unlimited tax bonds for roads and refunding outstanding road bonds. The Bonds are being issued pursuant to such authorization. After issuance of the Bonds, \$91,775,000 principal amount of unlimited tax bonds will remain authorized but unissued for roads and refunding outstanding road bonds. See “Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Resolution; an election held within the District; approval by the City; Article III, Section 52 of the Texas Constitution; Chapter 3931, Texas Special District Local Laws and the general laws of the State of Texas, including Chapter 375, Texas Local Government Code.

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.

Source of and Security for 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 limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, and any future bonds payable in whole or in part from taxes, with full allowance being made for delinquencies and costs of collection.

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

Funds

In the Bond Resolution, the Road Debt Service Fund is created, 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 and twelve months of capitalized interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund, to pay the costs of acquiring or constructing District facilities and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

Method of Payment of Principal and Interest

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

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

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants 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 required so 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 and after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, 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. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (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 fewer 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 that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Record Date

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

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 transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

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.

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is 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, stolen or destroyed, 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 bond, 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.

Issuance of Additional Debt

After issuance of the Bonds, the District will have \$91,775,000 principal amount of unlimited tax bonds authorized but unissued for roads and refunding of outstanding road bonds, \$33,227,000 principal amount of unlimited tax bonds authorized but unissued for parks and recreational facilities and refunding of such bonds and \$170,031,000 principal amount of unlimited tax bonds authorized but unissued for water, sewer and drainage facilities and refunding of such bonds. The District anticipates issuing additional bonds in the future. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "USE AND DISTRIBUTION OF BOND PROCEEDS—Future Debt" and "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED."

The District has authorized the preparation of an application to the TCEQ for the approval of bonds and anticipates the issuance of such bonds in the first quarter of 2022.

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

Dissolution of District

Under existing Texas law, the District may be dissolved by the City of Missouri City without the District's consent. However, pursuant to an agreement with the District, the City may not dissolve the District until the Facilities that serve the District are complete and certain obligations are met. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MISSOURI CITY."

If the District is dissolved, the City of Missouri City will assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days thereafter. Prior to dissolution by the City of Missouri City, the District shall have the opportunity to discharge any obligations of the District by selling its bonds or causing the City of Missouri City to sell bonds or the City of Missouri City in an amount necessary to discharge such obligations. Dissolution of the District by the City of Missouri City is a policymaking matter within the discretion of the Mayor and City Council of the City of Missouri City. Moreover, no representation is made concerning the ability of the City of Missouri City to make debt service payments should dissolution occur.

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 “RISK FACTORS-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 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 that 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, New York, New York ("DTC"), 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 rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

The District was created under Article XVI of the Texas Constitution by House Bill 4147, as passed by the 84th Legislature on May 12, 2015 and operates in accordance with Chapter 3931 of the Special District Local Laws Code, and Chapter 375, Texas Local Government Code. It also has the authority specified in Article III, Sections 52 and 52-a of the Texas Constitution. The District contains approximately 493 acres of land and is located within the corporate limits of the City of Missouri City and within the boundaries of the Fort Bend Independent School District.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to construct thoroughfare, arterial and collector roads and improvements in aid thereof and to establish parks and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct all of such facilities. The District may purchase, construct, operate and maintain public improvements authorized for a municipal management district and may provide for the creation or programs and the making of loans and grants of public monies for the public

purposes of development and diversification of the State’s economy, the elimination of unemployment or underemployment, and/or the development or expansion of transportation or commerce.

The TCEQ exercises continuing supervisory jurisdiction over the District only for the water, wastewater and drainage projects. The District is required to observe certain requirements of the City which, along with Texas law, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require certain public facilities to be designed in accordance with applicable City standards. Construction and operation of the District's facilities are subject to the regulatory jurisdiction of additional government agencies. See “UTLILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MISSOURI CITY.”

Description and Location

The District was organized, created and established by House Bill No. 4147, 84th Regular Session of the Texas Legislature, codified as Chapter 3931, Texas Special District Local Laws Code, effective July 15, 2015. The District contains approximately 493 acres of land comprised of three non-contiguous tracts located approximately 21 miles southwest of downtown Houston. Two of the tracts are located on the west side of the Fort Bend Parkway Toll Road and north of Texas State Highway 6 (“SH6”). The remaining tract is located southeast of the intersection of Fort Bend Parkway Toll Road and SH6. The District lies entirely within the corporate limits of and the City and within the boundaries of the Fort Bend Independent School District. See “AERIAL PHOTOGRAPH.”

Land Use

	Approximate	
<u>Single Family Residential</u>	<u>Acres</u>	<u>Lots</u>
Parks Edge Section 3	9.50	40
Parks Edge Section 4	11.00	39
Parks Edge Section 5	6.20	23
Parks Edge Section 6	10.10	47
Parks Edge Section 7	3.50	14
Parks Edge Section 8	13.40	60
Parks Edge Section 9	13.50	60
Parks Edge Section 10	18.20	86
Parks Edge Section 11	20.40	82
Parks Edge Section 12	1.20	8
Parks Edge Section 13	11.00	39
Parks Edge Section 14	6.40	24
Parks Edge Section 15	6.80	31
Parks Edge Section 16	24.00	94
Parks Edge Section 17	19.20	64
Parks Edge Section 18	15.80	69
Parks Edge Section 19	22.90	90
Shipman's Cove, Section 1	33.33	141
Shipman's Cove, Section 2	33.29	133
Subtotal.....	279.72	1144
Future Development.....	86.17	
Lakes/Detention.....	50.40	
School Site.....	15.90	
Commercial.....	2.40	
Recreation/Open Space.....	7.93	
Non-Developable.....	50.23	
Total.....	492.75	

Status of Development

The residential portion of the District is being developed as Parks Edge and Shipman’s Cove, predominantly single-family residential communities. The Developers (as defined herein) have financed the design and construction of water, sanitary sewer and drainage facilities to serve Parks Edge, Sections 3 through 19 (approximately 213 acres of land developed into 870 single-family residential lots), and Shipman’s Cove, Sections 1 and 2 (approximately 66 acres of land developed into 274 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. Home construction in the District began in December 2020 and, as of April 30, 2021, there were 248 completed homes (189 occupied), 104 homes under construction or lots owned by a builder, and approximately 199 vacant developed lots available for home construction. Homebuilding in Parks Edge is being conducted by D.R. Horton, and homebuilding in Shipman’s Cove is being conducted by Ashton Woods and M/I Homes. New homes in the District range in offering prices from approximately \$220,000 to \$400,000.

In addition to the development described above, the District contains a gas station with a convenience store on approximately 2.40 acres. The District contains an approximately 15.90 acre site owned by the Fort Bend Independent School District which is planned for an elementary school and is not subject to ad valorem taxation by the District, a recreation center with a pool on approximately 3.30 acres, parks and open space on approximately 4.63 acres, lakes and detention areas on approximately 50.40 acres and approximately 86.17 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 50.23 acres of land are contained in drainage easements, rights-of-way, and plants and not planned for future development.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of seven directors, which has control over and management supervision of all affairs of the District. Directors are appointed by the City to serve four-year staggered terms. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Anthony Francis	President	June 2023
Adrienne Barker	Vice President	June 2023
Wilfred Green	Secretary	June 2025
Todd Burrer	Assistant Secretary	June 2023
Loveless Mitchell	Director	June 2025
Jaime Virkus	Director	June 2023
Karen Travelstead	Director	June 2025

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Fort Bend Central Appraisal District. The District’s Tax Assessor/Collector is appointed by the Board of Directors of the District. B&A Municipal Tax Service, LLC is currently serving in this capacity for the District.

Bookkeeper

The District has engaged F. Matuska, Inc. to serve as the District’s bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District’s facilities is Jones & Carter, Inc. (the "Engineer").

Financial Advisor

Post Oak Municipal Advisors LLC (the “Financial Advisor”) serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Attorney

The District has engaged Allen Boone Humphries Robinson LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds. The legal fees paid to Allen Boone Humphries Robinson LLP in its capacity as General Counsel are based on time charges actually incurred.

Auditor

As required by the Texas Water Code, the District retains an independent accountant to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The District's financial statements for the fiscal year ended December 31, 2020, have been audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's December 31, 2020, audited financial statements.

THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS

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 roads 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 Commission to pave certain streets, 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.

D.R. Horton-Texas, Ltd.

D.R. Horton-Texas, Ltd. ("D.R. Horton"), a Texas limited partnership, is the developer of approximately 213 acres in the District being developed as Parks Edge, where 870 single-family residential lots have been constructed. D.R. Horton is the sole homebuilder in Parks Edge. D.R. Horton owns 2.40 acres of undeveloped land in the District. D.R. Horton is wholly owned by D.R. Horton, Inc., a Delaware corporation and publicly held company, the stock of which is listed on the New York Stock Exchange under the ticker symbol "DHI." There is no financing associated with the acquisition of the land or the development of Parks Edge.

Ashton Woods and M/I Homes

Ashton Houston Residential, LLC ("Ashton Woods"), a Texas limited liability company, and M/I Homes of Houston LLC, ("M/I Homes"), a Texas limited partnership, each own an undivided fifty percent interest in approximately 99 acres of land which has been developed as 274 lots in the District as Shipman's Cove subdivision. Ashton Woods and M/I entered into a joint ownership and development agreement to develop the Shipman's Cove subdivision and do not own any land undeveloped land in the District. Ashton Woods and M/I are the sole homebuilders in Shipman's Cove.

Ashton Woods, M/I Homes, and D.R. Horton are collectively referred to herein as the "Developers."

None of the Developers nor any of their affiliates is obligated to pay principal of or interest on the Bonds. Furthermore, the Developers have no binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect Parks Edge and Shipman's Cove in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District. See "RISK FACTORS."

Other Property Owners

Palmetto/WIHA FB107 LP., a Texas limited partnership (“Palmetto”) is the owner of approximately 42 acres of undeveloped land in the District. Palmetto is marketing the land for commercial and industrial uses.

LOP 8.5 LP. (“LOP 8.5”) is the owner of approximately 5.99 undeveloped acres in the District.

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MISSOURI CITY

The District operates pursuant to a Utility Agreement between the City and the District, dated as of February 15, 2016, and amended on December 17, 2018 (the “Utility Agreement”). Pursuant to the Utility Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection and roadway facilities to serve development occurring within the boundaries of the District (the “Facilities”) and the City agreed to accept the Facilities for operation and maintenance at the sole cost of the City in consideration for the District’s financing, acquisition and construction of the Facilities. For purposes of ownership and maintenance, Facilities do not include parks and recreational facilities or the stormwater collection, drainage and detention facilities. In order to secure performance by the City of its obligations under the Utility Agreement, the District retains a security interest in the Facilities transferred to the City until the District’s bonds issued to acquire and construct the Facilities are paid off. It is the City’s obligation to set rates and charges for the use of the water and wastewater facilities and to bill and collect such rates and charges from customers within the District. The City agrees to charge residents of the District water and wastewater rates that are nondiscriminatory as compared to other similarly situated customers of the City. All revenues from the water and sewer facilities belong exclusively to the City. The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City’s requirements and criteria.

The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity. The District is required to pay an impact fee in the amount of \$1,009 per connection for water capacity as may be adjusted per City ordinance from time to time, which impact fee shall be due at the time of platting. In the event that the City cannot provide water capacity to the District when impact fees are due, the District or Developers may advance funds to the City to construct the needed facilities and receive impact fee credit for such funds advanced.

For purposes of receiving wastewater treatment services from the City, the District contains two service areas: the Parks Edge Service Area and the Shipman’s Cove Service Area. In order to serve the Parks Edge Service Area, the City entered into a Wastewater Capacity Agreement with Quail Valley Utility District (“Quail Valley”) whereby the City agreed to purchase from Quail Valley up to 585,525 gallons per day of wastewater capacity to serve the land within the Parks Edge Service Area within the District. The City agreed to reserve the 585,525 gpd available to the District and the adjacent Fort Bend County MUD No. 48 until full buildout within Parks Edge Service Area. The Shipman’s Cove Service Area is served by the Mustang Bayou Wastewater Treatment Plant. For payment of wastewater capacity in both service areas, the District will pay at the time of platting the impact fee for the Mustang Bayou Service Area at which is currently \$2,276.29. In the event that the City cannot provide wastewater capacity to the District when impact fees are due, the District or Developers may advance funds to the City to construct the needed facilities and receive impact fee credit for such funds advanced.

The City has covenanted to maintain the Facilities, or cause the Facilities to be maintained, in good condition and working order and to operate the same, or cause the same, to be operated in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. The City has also covenanted to comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders by any governmental or judicial body promulgating the same.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. The Bonds must be approved by the City to the extent that such issuance complies with the City’s policy related to municipal utility districts.

All park and recreational facilities and stormwater detention facilities (“Retained Facilities”) shall be maintained by the District, another district, or a property owners association. The District agrees to make binding arrangements to have the Retained Facilities maintained by an entity other than the City prior to the City’s dissolution of the District.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until ninety percent of the District's Facilities have been developed and the developer advancing funds to construct the Facilities have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement of the District under such rules.

THE ROAD SYSTEM

Bond proceeds will be used to finance the construction and paving of Parks Edge Boulevard and Park Vista Drive within the District.

All roadways are designed and constructed in accordance with the City and Fort Bend County standards, rules, and regulations. Upon acceptance by the City, the District is responsible for operation and maintenance thereof through an interlocal agreement until such time as the District is annexed by the City. These roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are located within the right-of-way. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities (including power, gas, telephone, fiber, and cable).

WATER AND SEWER SYSTEM

Wastewater Treatment

Wastewater from the District is currently served by two wastewater treatment plants ("WWTP") owned and operated by the City pursuant to the District's Utility and Road Agreement (2016), and First Amendment to the same (2018). The District is located within the Mustang Bayou Service Area, but per its Agreement with the City, is served by plants in two different service areas within the same. Per the First Amendment, the Parks Edge Service Area is served by the Quail Valley WWTP, owned and operated by Quail Valley Utility District, but in which the City has purchased capacity for the District; and the Shipman's Cove Development is served by the Mustang Bayou WWTP, owned and operated by the City. For the Parks Edge Development, the District has constructed a regional lift station within the Parks Edge Development that delivers wastewater capacity via forcemain to the point of discharge in the Quail Valley WWTP. For the Shipman's Cove Development, the District has constructed a lift station within the Shipman's Cove Development that delivers wastewater capacity via forcemain to the point of discharge in the Mustang Bayou WWTP. Upon Platting, each development will pay the Mustang Bayou Service Area impact fee to the City of Missouri City for wastewater capacity. No other capital charges will be paid for the capacity.

Water Supply

Water from the District is currently served by a water plant owned and operated by the City pursuant to the District's Utility and Road Agreement (2016). The District has designed and constructed all Water Supply lines within the District, and off-site lines as needed to points of connection to the City's water supply system. Upon Platting, the District will pay the Mustang Bayou Service Area impact fee to the City of Missouri City for water capacity.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$3,353,310 is estimated for construction costs, \$395,749 is estimated for non-construction costs, and \$250,942 is estimated for issuance costs and fees.

I. CONSTRUCTION COSTS

• Park Edge Boulevard - Phase 1 Paving.....	\$	390,000
• Park Vista Drive Paving.....		872,428
• Parks Edge Section 8 Paving (Collector).....		271,953
• Lake Olympia Parkway Bridge.....		842,208
• Shipman's Cove Boulevard.....		179,641
• 8.5 Acre Tract - Phase 1 Paving.....		247,080
• SWPPP.....		50,000
• Engineering & Testing.....		500,000
Total Construction Cost.....	\$	3,353,310

II. NON-CONSTRUCTION COSTS

• Developer Interest.....	\$	125,749
• Capitalized Interest (12 months at 3.25%).....		150,000
• Bond Discount (Estimated at 3.00%).....		120,000
Total Non-Construction Costs.....	\$	395,749

III. ISSUANCE COSTS AND FEES

• Legal Fees.....	\$	110,000
• Financial Advisor Fees.....		77,500
• Engineering Fees.....		25,000
• Bond Issuance Expenses.....		34,442
• Attorney General Fee.....		4,000
Total Issuance Cost and Fees.....	\$	250,942
TOTAL BOND ISSUE.....	\$	4,000,000

Future Debt

The Developers have financed or are financing the engineering and construction costs of underground utilities and roads to serve various subdivisions in the District, and certain other District improvements, including drainage facilities. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$6,100,141 (as of April 30, 2021) for design, construction and acquisition of District utilities, roads, and parks and recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the TCEQ and state law. Additionally, the District presently contains approximately 86.17 acres of developable land not presently fully served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage and to finance roads and park and recreational facilities. The District makes no representation that any additional development will occur within the District. See “THE BONDS—Issuance of Additional Debt.”

The District has authorized the preparation of an application to the TCEQ for the approval of bonds and anticipates the issuance of such bonds in the first quarter of 2022.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
5/5/2018	Water, Sanitary Sewer, Drainage and Storm Water & Refunding	\$170,031,000	\$0	\$170,031,000
5/5/2018	Road & Refunding	\$95,775,000	\$4,000,000 (a)	\$91,775,000
5/5/2018	Parks and Recreational Facilities and Refunding	\$33,227,000	\$0	\$33,227,000

(a) Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2020 Certified Taxable Assessed Valuation.....	\$16,700,695 (a)
Estimated Taxable Assessed Valuation as of February 1, 2021.....	\$52,720,517 (b)
District Debt:	
The Bonds.....	<u>\$4,000,000</u>
Gross Debt Outstanding (after issuance of the Bonds).....	\$4,000,000
Ratio of Gross Debt to 2020 Certified Taxable Assessed Valuation.....	23.95%
Ratio of Gross Debt to Estimated Taxable Assessed Valuation as of February 1, 2021.....	7.59%

Area of District: 493 acres
Estimated 2021 Population: 662 (c)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
 (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements on February 1, 2021. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2020 and January 1, 2021 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021. Increases in value occurring between January 1, 2020 and January 1, 2021 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021 and increases in value occurring between January 1, 2021 and February 1, 2021 will be certified as of January 1, 2022 and provided for purposes of taxation in the fall of 2022 See "TAX PROCEDURES."
 (c) Based on 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of May 17, 2021)

Operating Fund	Cash and Temporary Investments	\$4,055 (a)
Road Debt Service Fund	Cash and Temporary Investments	\$0 (b) (c)
Road Capital Projects Fund	Cash and Temporary Investments	\$0 (d)

- (a) See "Risk Factors – Operating Funds."
 (b) To be initially funded upon closing of the Bonds with twelve (12) months of capitalized interest on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
 (c) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.
 (d) To be initially funded upon closing of the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Fort Bend County.....	\$633,879,567	4/30/2021	0.01%	\$63,388
Fort Bend County Drainage District.....	25,405,000	4/30/2021	**	\$0
Fort Bend ISD.....	1,278,953,767	4/30/2021	0.02%	255,791
Houston Community College.....	492,485,000	4/30/2021	**	0
City of Missouri City.....	168,740,000	4/30/2021	0.09%	<u>151,866</u>
Total Estimated Overlapping Debt.....				\$471,045
The District.....	4,000,000 (a)	Current	100.00%	<u>4,000,000</u>
Total Direct and Estimated Overlapping Debt.....				\$4,471,045
Ratio of Total Direct and Estimated Overlapping Debt to:				
2020 Certified Taxable Assessed Valuation.....				26.77%
Estimated Taxable Assessed Valuation as of February 1, 2021.....				8.48%

(**) Less than 0.01%.
(a) Includes the Bonds.

Overlapping Tax Rates for 2020

	<u>2020 Tax Rate per \$100 of Taxable Assessed Valuation</u>
Fort Bend County.....	\$ 0.435900
Fort Bend County Drainage District.....	0.017300
Fort Bend ISD.....	1.240200
Houston Community College.....	0.100300
City of Missouri City.....	<u>0.598000</u>
Total Overlapping Tax Rate.....	\$ 2.391700
The District.....	<u>0.900000</u>
Total Tax Rate.....	\$ 3.291700

TAX DATA

Tax Collections

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

Tax Year	Net Certified	Tax Rate	Adjusted Tax Levy	Total Collections As of April 30, 2021	
	Taxable Valuation			Amount	Percent
2018	\$ 3,768,342	\$ 0.90	33,915	33,915	100.00%
2019	7,098,230	0.90	63,884	63,884	100.00%
2020	16,700,695	0.90	150,306	144,889	96.40%

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service	\$0.00	\$0.00	\$0.00
Maintenance and Operations	0.90	0.90	0.90
Total	<u>\$0.90</u>	<u>\$0.90</u>	<u>\$0.90</u>

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$1.50 per \$100 of taxable assessed valuation.
Road Maintenance: \$0.25 per \$100 of taxable assessed valuation.

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. For the 2020 tax year, the Board did not levy a debt service tax rate.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on May 5, 2018, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. The District levied a maintenance tax for 2020 in the amount of \$0.90 per \$100 of taxable assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The Developers have executed Waivers of Special Appraisal, waiving their right to claim any agriculture or open space exemptions or any other type of exemption or valuation for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waivers are binding for periods of thirty years.

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 Title 1 of the Texas Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2020 certified tax rolls, which reflect ownership at January 1, 2020.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Certified Assessed Valuation</u>	<u>% of 2020 Certified Assessed Valuation</u>
Lake Olympia Crossing LP (a)	Land & Improvements	\$1,687,073	10.10%
DR Horton - Texas LTD (b)	Land	1,275,370	7.64%
Ashton Houston Residential LLC & M/I Homes (b)	Land	1,028,410	6.16%
272 Parks Edge Investments LLC (b)	Land	898,440	5.38%
LOP 8.5 LP (b)	Land	800,000	4.79%
Palmetto/WIHA FB107 LP (b)	Land	636,060	3.81%
Individual	Residential	357,480	2.14%
Individual	Residential	349,530	2.09%
Individual	Residential	348,890	2.09%
Individual	Residential	348,600	2.09%
Total for Principal Taxpayers		\$ 7,729,853	46.28%

(a) Gas Station/Convenience Store.

(b) See "THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS."

Summary of Assessed Valuation

The following summary of the 2020, 2019 and 2018 certified assessed valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2020 tax rolls of the District. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$10,156,530	\$6,765,020	\$3,777,380
Improvements	7,099,283	344,410	0
Personal Property	0	0	0
Exempt Property	(555,118)	(11,200)	(9,038)
Total Assessed Valuation	\$16,700,695	\$7,098,230	\$3,768,342

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2020 Certified Taxable Assessed Valuation or Estimated Taxable Assessed Valuation as of February 1, 2021, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Bonds.

Projected Average annual debt service requirement (2022-2046).....	\$250,768
\$1.59 tax rate on the 2020 Certified Taxable Assessed Valuation of \$16,700,695 at a 95% collection rate produces.....	\$252,264
\$0.51 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2021 of \$52,720,517 at a 95% collection rate produces.....	\$255,431
Projected Maximum annual debt service requirement (2022).....	\$255,000
\$1.61 tax rate on the 2020 Certified Taxable Assessed Valuation of \$16,700,695 at a 95% collection rate produces.....	\$255,437
\$0.51 tax rate on the Estimated Taxable Assessed Valuation as of February 1, 2021 of \$52,720,517 at a 95% collection rate produces.....	\$255,431

TAX 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 and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS-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 and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

Property Tax Code and County-Wide Appraisal District

Title 1 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; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead 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%) (not less than \$5,000) 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.

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

The City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the City has not designated any part of the area within the District as a reinvestment zone.

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. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the 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 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. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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:

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 "ESTIMATED OVERLAPPING DEBT STATEMENT-Overlapping Tax Rates for 2020." 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned

by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See “RISK FACTORS-General” and “-Tax Collection Limitations,” and “-Registered Owners’ Remedies and Bankruptcy Limitations.”

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 taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

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WATER AND SEWER OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Surplus revenues, if any, of the District's General Fund 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 significant revenues, if any, will be available for the payment of debt service on the Bonds.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. The City operates the water and sewer system that serves the District, so the District collects no net revenues from operating the System. Such summary is based upon information obtained from the District's audited financial statement for fiscal year December 31, 2020, and from the District's bookkeeper for the period ended April 30, 2021. Reference is made to such records and statements for further and more complete information.

	1/1/2021 to 4/30/2021 (a)	Fiscal year Ended December 31, 2020
Revenues:		
Property Taxes	\$ 132,500	\$ 63,759
Penalties and Interest	-	64
Miscellaneous	410,766	161
Investment Earnings	185	1,847
Total Revenues	\$ 543,451	\$ 65,831
Expenditures:		
Operating and Administrative		
Professional Fees	\$ 38,224	\$ 126,626
Contracted Services	4,880	22,232
Repairs and Maintenance	18,298	-
Utilities	2,706	1,398
Administrative	7,526	17,514
Other	230	413
Capital Outlay	410,766	3,327,195
Total Expenditures	\$ 482,629	\$ 3,495,378
Excess (Deficiency) of Revenues Under Expenditures	\$ 60,822	\$ (3,429,547)
Other Financing Sources (Uses)		
Construction Advances	\$ -	\$ 3,327,195
Operating Advances	-	53,600
Net Change in Fund Balance	\$ -	\$ (48,752)
Beginning Fund Balance	\$ (67,548)	\$ (18,796)
Ending Fund Balance	\$ (6,726)	\$ (67,548)

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

DEBT SERVICE REQUIREMENTS

The following table sets forth the projected debt service requirements for the Bonds at an assumed interest rate of 3.75% per annum.

Calendar Year	Debt Service on the Bonds			Total Debt Service
	Principal	Interest	Total	
2022	\$ 80,000	\$ 175,000	\$ 255,000	\$ 255,000
2023	105,000	147,000	252,000	252,000
2024	105,000	143,063	248,063	248,063
2025	110,000	139,125	249,125	249,125
2026	115,000	135,000	250,000	250,000
2027	120,000	130,688	250,688	250,688
2028	125,000	126,188	251,188	251,188
2029	130,000	121,500	251,500	251,500
2030	135,000	116,625	251,625	251,625
2031	140,000	111,563	251,563	251,563
2032	145,000	106,313	251,313	251,313
2033	150,000	100,875	250,875	250,875
2034	155,000	95,250	250,250	250,250
2035	160,000	89,438	249,438	249,438
2036	165,000	83,438	248,438	248,438
2037	175,000	77,250	252,250	252,250
2038	180,000	70,688	250,688	250,688
2039	185,000	63,938	248,938	248,938
2040	195,000	57,000	252,000	252,000
2041	200,000	49,688	249,688	249,688
2042	210,000	42,188	252,188	252,188
2043	215,000	34,313	249,313	249,313
2044	225,000	26,250	251,250	251,250
2045	235,000	17,813	252,813	252,813
2046	240,000	9,000	249,000	249,000
Total	\$ 4,000,000	\$ 2,269,188	\$ 6,269,188	\$ 6,020,188

Projected Average Annual Debt Service Requirements (2022-2046).....	\$250,768
Projected Maximum Annual Debt Service Requirements (2022).....	\$255,000

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding 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, 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 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 “THE BONDS,” “THE DISTRICT-General,” “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF MISSOURI CITY,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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 Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary Official Statement.

No-Litigation Certificate

The District will furnish the Initial Purchaser 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 Initial Purchaser with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes and 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its “adjusted current earning” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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.

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

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

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

Not Qualified Tax-Exempt Obligations

The Bonds are not “qualified tax-exempt obligations” for financial institutions.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that 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 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, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission 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; nor have the Bonds 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 other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from certain 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 sources other than the District, 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

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

“THE DISTRICT” – Developers, Jones & Carter, Inc. (“Engineer”), and Records of the District (“Records”); “THE DEVELOPERS THE DEVELOPERS AND PRINCIPAL PROPERTY OWNERS” – Developers; “WATER AND SEWER SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT (UNAUDITED)” – Fort Bend Central Appraisal District and B&A Municipal Tax Service LLC, Tax Assessor/Collector; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - B&A Municipal Tax Service LLC; “MANAGEMENT” – Records; “DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS,” “TAX PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” - Allen Boone Humphries Robinson LLP.

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.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM" and "WATER AND SEWER SYSTEM" has been provided by Jones & Carter, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuation, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by B&A Municipal Tax Service, LLC and is included herein in reliance upon the authority of such entity as experts in assessing and collecting taxes.

Auditor: As required by the Texas Water Code, the District retains an independent accountant to audit the District’s financial statements annually, which audited financial statements are filed with the Commission. The District’s financial statements for the fiscal year ended December 31, 2020, have been audited by McGrath & Co., PLLC. See “APPENDIX A” for a copy of the District’s December 31, 2020, audited financial statements.

Bookkeeper: The information related to “unaudited” summary of the District’s General Fund as it appears in “GENERAL FUND” 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 special 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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects

to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; 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 Initial Purchaser, unless the Initial Purchaser 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 the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no other person is committed by contract or other arrangement with respect to payment of the Bonds. 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 subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

In addition, the District and the Developers have agreed to provide information with respect to the Developers, any person or entity to whom the Developers voluntarily assign (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District and the Developers will be obligated to provide information concerning the Developers and any such other person or entity only if and so long as such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The financial information and operating data which will be provided with respect to the District is found in APPENDIX A (Independent Auditor's Report and Financial Statements) and with respect to the Developers is found in Appendix B (Unaudited Financial Information Concerning the Developers). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2021. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such

principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report becomes available.

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

Event Notices

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

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 Owner's 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 Registered Owners 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser 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

The District has not previously entered into a continuing disclosure agreement made 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 Missouri City Management District No. 1, as of the date shown on the cover page.

/s/

President, Board of Directors
Missouri City Management District No. 1

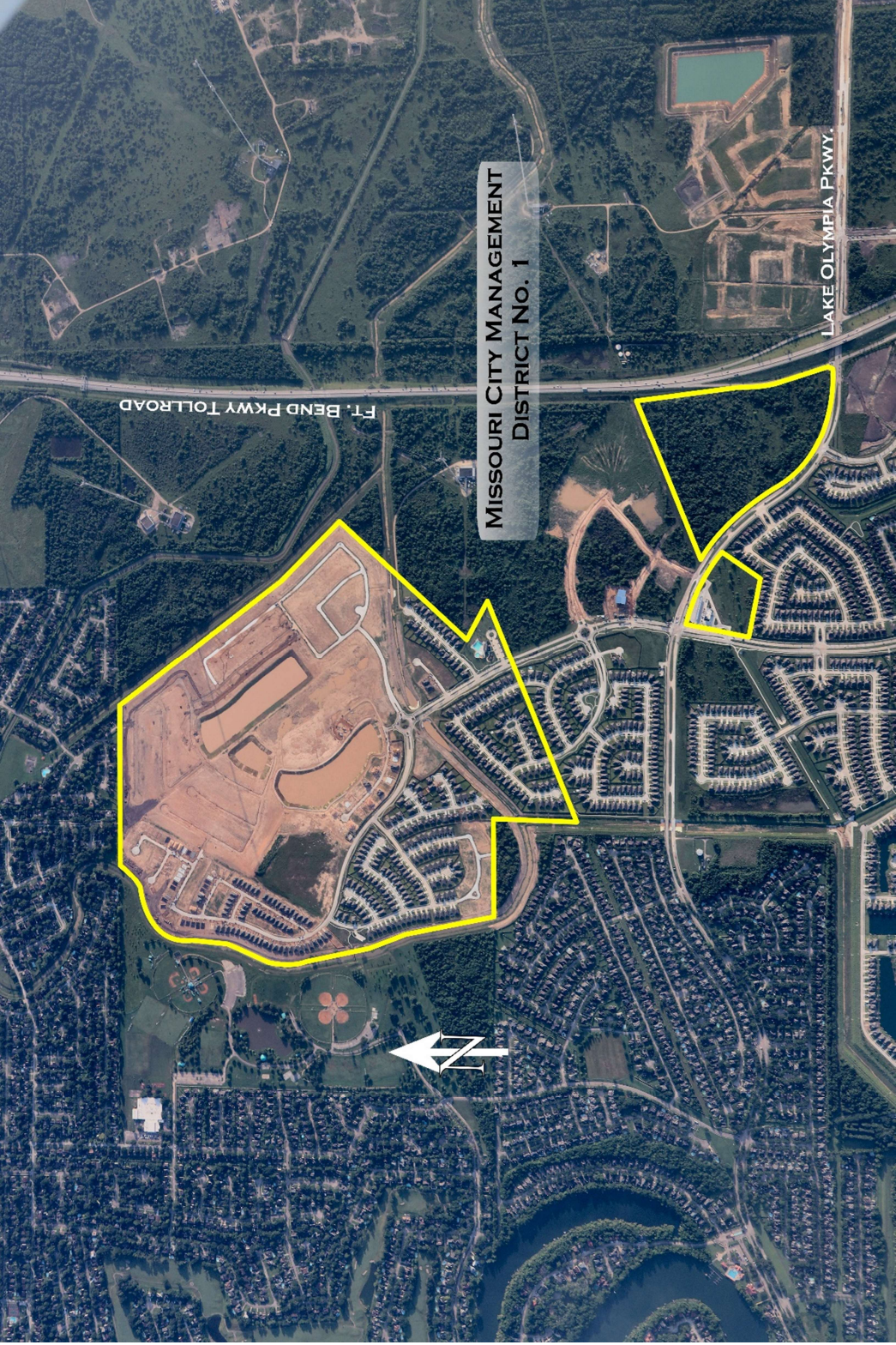
ATTEST:

/s/

Secretary, Board of Directors
Missouri City Management District No. 1

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of May 2021)





MISSOURI CITY MANAGEMENT
DISTRICT No. 1

FT. BEND PKWY TOLLROAD

LAKE OLYMPIA PKWY.



PHOTOGRAPHS

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











APPENDIX A

Independent Auditor's Report and Financial Statements for the fiscal year ended December 31, 2020

**MISSOURI CITY MANAGEMENT
DISTRICT NO. 1**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2020

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor’s Report		1
Management’s Discussion and Analysis		5
BASIC FINANCIAL STATEMENTS		
Government-Wide Statements:		
Statement of Net Position – Governmental Activities		12
Statement of Activities – Governmental Activities		13
Fund Financial Statements:		
Balance Sheet – Governmental Fund		14
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position		15
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund		16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities		17
Notes to Basic Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		30
Notes to Required Supplementary Information		31
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	34
General Fund Expenditures	TSI-2	36
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	37
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	38
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	40

McGRATH & CO., PLLC

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

Independent Auditor's Report

Board of Directors
Missouri City Management District No. 1
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and General Fund of Missouri City Management District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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
Missouri City Management District No. 1
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 General Fund of Missouri City Management District No. 1, as of December 31, 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.

W.C. Grath & Co, PC

Houston, Texas
April 19, 2021

Management's Discussion and Analysis

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***Missouri City Management District No. 1
Management's Discussion and Analysis
December 31, 2020***

Using this Annual Report

Within this section of the financial report of Missouri City Management District No. 1 (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 December 31, 2020. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

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.

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 Fund Balance Sheet* and the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance*. 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

***Missouri City Management District No. 1
Management's Discussion and Analysis
December 31, 2020***

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 December 31, 2020, was negative \$16,638,636. The District's net position is negative because the District incurs debt to construct water, sewer and certain drainage facilities which it conveys to the City of Missouri City. A comparative summary of the District's overall financial position, as of December 31, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 629,496	\$ 2,171,646
Capital assets	7,782,828	738,169
Total assets	<u>8,412,324</u>	<u>2,909,815</u>
Current liabilities	545,251	2,126,558
Long-term liabilities	24,353,916	10,392,234
Total liabilities	<u>24,899,167</u>	<u>12,518,792</u>
Total deferred inflows of resources	<u>151,793</u>	<u>63,884</u>
Net position		
Net investment in capital assets	(210,475)	(36,500)
Unrestricted	<u>(16,428,161)</u>	<u>(9,636,361)</u>
Total net position	<u>\$ (16,638,636)</u>	<u>\$ (9,672,861)</u>

**Missouri City Management District No. 1
Management's Discussion and Analysis
December 31, 2020**

The total net position of the District decreased during the current fiscal year by \$6,965,775. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues		
General revenues	\$ 65,831	\$ 34,378
Expenses		
Operating and administrative	168,183	152,116
Depreciation/amortization	173,975	31,688
Total expenses	<u>342,158</u>	<u>183,804</u>
Change in net position before other item	(276,327)	(149,426)
Other item		
Transfers to other governments	<u>(6,689,448)</u>	<u>(5,147,862)</u>
Change in net position	(6,965,775)	(5,297,288)
Net position, beginning of year	<u>(9,672,861)</u>	<u>(4,375,573)</u>
Net position, end of year	<u><u>\$ (16,638,636)</u></u>	<u><u>\$ (9,672,861)</u></u>

Financial Analysis of the District's General Fund

Fund balance in the District's General Fund was negative \$67,548. A comparative summary of the General Fund's financial position as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total assets	<u>\$ 629,496</u>	<u>\$ 2,171,646</u>
Total liabilities	\$ 545,251	\$ 2,126,558
Total deferred inflows	151,793	63,884
Total fund balance	<u>(67,548)</u>	<u>(18,796)</u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 629,496</u></u>	<u><u>\$ 2,171,646</u></u>

**Missouri City Management District No. 1
 Management’s Discussion and Analysis
 December 31, 2020**

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

	2020	2019
Total revenues	\$ 65,831	\$ 34,378
Total expenditures	(3,495,378)	(1,942,255)
Revenues under expenditures	(3,429,547)	(1,907,877)
Other changes in fund balance	3,380,795	1,949,789
Net change in fund balance	\$ (48,752)	\$ 41,912

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2019 levy was recognized as revenues in the 2020 fiscal year, while the 2018 levy was recognized in the 2019 fiscal year (to the extent that these amounts were collected). Property tax revenues increased from prior year because assessed values increased from prior year.
- Developers in the District advance funds to the District as needed to pay operating and construction costs.

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 \$48,752 less than budgeted. The *Budgetary Comparison Schedule* on page 30 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.

**Missouri City Management District No. 1
 Management’s Discussion and Analysis
 December 31, 2020**

Capital assets held by the District at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated		
Land and improvements	\$ 3,490,230	\$ -
Capital assets being amortized		
Infrastructure	1,496,721	
Landscaping improvements	813,814	244,913
Impact fees	2,192,538	529,756
	<u>4,503,073</u>	<u>774,669</u>
Less accumulated amortization		
Infrastructure	(49,890)	
Landscaping improvements	(52,957)	(12,266)
Impact fees	(107,628)	(24,234)
	<u>(210,475)</u>	<u>(36,500)</u>
Depreciable capital assets, net	<u>4,292,598</u>	<u>738,169</u>
Capital assets, net	<u>\$ 7,782,828</u>	<u>\$ 738,169</u>

Capital asset additions during the current year include the following:

- Parks Edge Park Vista – landscaping
- Parks Edge, Section 4 and 5 – landscaping
- Parks Edge detention facilities and clearing and grubbing, Phase 3
- Shipman’s Cove detention facilities and offsite storm sewer
- Impact fees paid to the City of Missouri City

Additionally, certain capital assets constructed by the District are conveyed to the City of Missouri City. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended December 31, 2020, capital assets in the amount of \$6,689,448 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

Long-Term Debt and Related Liabilities

As of December 31, 2020, the District owes approximately \$24,353,916 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 4, the District has an additional commitment in the amount of \$12,604,004 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

**Missouri City Management District No. 1
 Management’s Discussion and Analysis
 December 31, 2020**

At December 31, 2020, the District had \$170,031,000 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; \$33,227,000 for parks and recreational facilities and the refunding of such bonds; and \$95,775,000 for road improvements and the refunding of such bonds.

Next Year’s Budget

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

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 65,831	\$ 65,500
Total expenditures	<u>(3,495,378)</u>	<u>(207,500)</u>
Revenues under expenditures	(3,429,547)	(142,000)
Other changes in fund balance	<u>3,380,795</u>	<u>142,000</u>
Net change in fund balance	(48,752)	
Beginning fund balance	<u>(18,796)</u>	<u>(67,548)</u>
Ending fund balance	<u>\$ (67,548)</u>	<u>\$ (67,548)</u>

Property Taxes

The District’s property tax base increased approximately \$9,768,000 for the 2020 tax year from \$7,098,230 to \$16,865,841. This increase was primarily due to new construction in the District and increased property values. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.90 per \$100 of assessed value. This was the same rate levied for the 2019 tax year.

Infectious Disease Outlook (COVID-19)

As further discussed in Note 11, 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.

Basic Financial Statements

*Missouri City Management District No. 1
Statement of Net Position - Governmental Activities
December 31, 2020*

Assets	
Cash	\$ 101,693
Taxes receivable	55,780
Other receivables	7,501
Prepaid items	3,738
Restricted assets:	
Cash	460,784
Capital assets not being depreciated	3,490,230
Capital assets, net	<u>4,292,598</u>
Total Assets	<u>8,412,324</u>
 Liabilities	
Accounts payable	81,077
Other payables	1,765
Construction advances	460,784
Due to other governments	1,625
Due to developers	<u>24,353,916</u>
Total Liabilities	<u>24,899,167</u>
 Deferred Inflows of Resources	
Deferred property taxes	<u>151,793</u>
 Net Position	
Net investment in capital assets	(210,475)
Unrestricted	<u>(16,428,161)</u>
Total Net Position	<u><u>\$ (16,638,636)</u></u>

See notes to basic financial statements.

*Missouri City Management District No. 1
Statement of Activities - Governmental Activities
For the Year Ended December 31, 2020*

Expenses

Current		
Professional fees	\$	126,626
Contracted services		22,232
Utilities		1,398
Administrative		17,514
Other		413
Depreciation/amortization		173,975
Total Expenses		<u>342,158</u>

General Revenues

Property taxes		63,759
Penalties and interest		64
Miscellaneous		161
Investment earnings		1,847
Total General Revenues		<u>65,831</u>

Revenues Under Expenses (276,327)

Other Item

Transfers to other governments (6,689,448)

Change in net position (6,965,775)

Net Position

Beginning of the year (9,672,861)

End of the year \$ (16,638,636)

See notes to basic financial statements.

*Missouri City Management District No. 1
Balance Sheet - Governmental Fund
December 31, 2020*

	General Fund
Assets	
Cash	\$ 101,693
Taxes receivable	55,780
Other receivables	7,501
Prepaid items	3,738
Restricted assets:	
Cash	460,784
Total Assets	<u>\$ 629,496</u>
Liabilities	
Accounts payable	\$ 81,077
Other payables	1,765
Due to other governments	1,625
Construction advances	460,784
Total Liabilities	<u>545,251</u>
Deferred Inflows of Resources	
Deferred property taxes	<u>151,793</u>
Fund Balance	
Nonspendable	3,738
Unassigned	<u>(71,286)</u>
Total Fund Balance	<u>(67,548)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 629,496</u>

See notes to basic financial statements.

*Missouri City Management District No. 1
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
 December 31, 2020*

Total fund balance, governmental fund	\$ (67,548)
---------------------------------------	-------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental fund.

Historical cost	\$ 7,993,303	
Less accumulated amortization	<u>(210,475)</u>	
Change due to capital assets		7,782,828

Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .	(24,353,916)
--	--------------

Total net position - governmental activities	<u>\$ (16,638,636)</u>
--	------------------------

See notes to basic financial statements.

*Missouri City Management District No. 1
Statement of Revenues, Expenditures and Change in Fund Balance -
Governmental Fund
For the Year Ended December 31, 2020*

	General Fund
Revenues	
Property taxes	\$ 63,759
Penalties and interest	64
Miscellaneous	161
Investment earnings	1,847
Total Revenues	<u>65,831</u>
Expenditures	
Operating and administrative	
Professional fees	126,626
Contracted services	22,232
Utilities	1,398
Administrative	17,514
Other	413
Capital outlay	3,327,195
Total Expenditures	<u>3,495,378</u>
Revenues Under Expenditures	(3,429,547)
Other Financing Sources	
Construction advances	3,327,195
Operating advances	<u>53,600</u>
Net Change in Fund Balance	(48,752)
Fund Balance	
Beginning of the year	<u>(18,796)</u>
End of the year	<u><u>\$ (67,548)</u></u>

See notes to basic financial statements.

***Missouri City Management District No. 1
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance
of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2020***

Net change in fund balance - governmental fund \$ (48,752)

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets and impact fees paid to the City of Missouri City are capitalized and charged to expense over the remaining life of the assets.

Capital outlays	\$ 3,327,195	
Depreciation/amortization expense	<u>(173,975)</u>	
		3,153,220

The District conveys certain infrastructure to the City of Missouri City upon completion of construction. Since these improvements are funded by the developer, 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. (6,689,448)

Amounts received from the District's developers for operating and construction advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (3,380,795)

Change in net position of governmental activities \$ (6,965,775)

See notes to basic financial statements.

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Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Missouri City Management District No. 1 (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 by House Bill No. 4147, 84th Regular Session of the Texas Legislature, codified as Chapter 3931, Texas Special District Local Laws Code, effective July 15, 2015, and operates in accordance with Chapter 375, Texas Local Government Code and Texas Water Code, Chapters 49 and 54, as amended. The Board of Directors held its first meeting on January 12, 2016.

The District’s primary activities include construction, maintenance and operation of water, sewer, drainage, road and park facilities. The District was established to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety, and the public welfare within the boundaries of the District. 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 a seven-member Board of Directors appointed by the City of Missouri City. 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 governments. Since the District does not have an elected governing body, it is not a primary government. A component unit is a legally separate government for which the elected officials of a primary government are financially accountable. The criteria used to determine financial accountability is whether the primary government appoints a voting majority of the component unit’s governing body and (1) is able to impose its will on the component unit or (2) the component unit creates a financial benefit/burden for the primary government. While the City appoints the Directors of the District, it has no further financial accountability for the District. Under these criteria, the District is not a component unit of the City or any other governmental entity. An other stand-alone government is an entity that does not have a separately elected governing body and is not a component unit of another government. For financial reporting purposes, the District is a stand-alone government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

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

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's principal financial resources are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.

Measurement Focus and Basis of Accounting

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

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. 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.

Use of Restricted Resources

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

Prepaid Items

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

*Missouri City Management District No. 1
 Notes to Basic Financial Statements
 December 31, 2020*

Note 1 – Summary of Significant Accounting Policies (continued)

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 December 31, 2020, an allowance for uncollectible accounts was not considered necessary.

Capital Assets

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

Depreciable capital assets, which primarily consist of drainage facilities, landscaping improvements and impact fees paid to the City of Missouri City are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	30 years
Landscaping improvements	20 years
Impact fees	30 years (max)

The District’s detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2020 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2020 property tax levy, which was levied to finance the 2021 fiscal year.

*Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020*

Note 1 – Summary of Significant Accounting Policies (continued)

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 Balance – Governmental Fund

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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 an assigned fund balance.

Unassigned – all other spendable amounts in the General Fund and deficit fund balances.

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.

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to the City of Missouri City 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.

Note 2 – 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.

Restricted Cash

As discussed in Note 4, the District has entered into financing agreements with its developers for the construction of infrastructure to serve the District. In accordance with these agreements, the developers have advanced funds to the District for the construction certain improvements. The balance of unexpended construction advances at year end was \$460,784, which is reported as restricted cash.

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 2 – Deposits and Investments (continued)

Investments

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

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

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 3 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2020, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ -	\$ 3,490,230	\$ 3,490,230
Capital assets being depreciated/amortized			
Infrastructure		1,496,721	1,496,721
Landscaping improvements	244,913	568,901	813,814
Impact fees	529,756	1,662,782	2,192,538
	<u>774,669</u>	<u>3,728,404</u>	<u>4,503,073</u>
Less accumulated depreciated/amortization			
Infrastructure		(49,890)	(49,890)
Landscaping improvements	(12,266)	(40,691)	(52,957)
Impact fees	(24,234)	(83,394)	(107,628)
	<u>(36,500)</u>	<u>(173,975)</u>	<u>(210,475)</u>
Subtotal depreciable capital assets, net	<u>738,169</u>	<u>3,554,429</u>	<u>4,292,598</u>
Capital assets, net	<u>\$ 738,169</u>	<u>\$ 7,044,659</u>	<u>\$ 7,782,828</u>

Depreciation and amortization expense for the current year was \$173,975.

Note 4 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. 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 developer is reimbursed.

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

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

Due to developers, beginning of year	\$ 10,392,234
Developer funded construction	13,908,082
Operating advances from developers	53,600
Due to developers, end of year	<u>\$ 24,353,916</u>

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 4 – Due to Developers (continued)

In addition, the District will owe the developers approximately \$12,604,004, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Parks Edge off-site 12-inch force main *	\$ 1,353,140	\$ 1,201,709	\$ 151,431
Shipman's Cove storm water pump station	1,907,976	1,708,359	199,617
Creekmont lift station expansion and Shipman's Cove lift station no. 1	1,330,320	748,485	581,835
Parks Edge, Section 9 - utilities	632,615	532,812	99,803
Parks Edge detention facilities and clearing and grubbing - phase 4	1,727,617	1,206,074	521,543
Parks Edge storm water pump station	1,200,085		1,200,085
Mustang Bayou expansion	650,000		650,000
Parks Edge, Section 10 - utilities	595,345	475,256	120,089
Parks Edge, Section 11 - utilities	863,514		863,514
Parks Edge, Section 14 - utilities	258,128	228,607	29,521
Parks Edge, Section 15 - utilities	228,737		228,737
Parks Edge, Section 16 - utilities	1,165,540		1,165,540
Parks Edge, Section 8 - landscaping	690,987	402,561	288,426
	<u>\$ 12,604,004</u>	<u>\$ 6,503,863</u>	<u>\$ 6,100,141</u>

*District's share of project

Note 5 – Long-Term Debt

At December 31, 2020, the District had \$170,031,000 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; \$33,227,000 for parks and recreational facilities and the refunding of such bonds; \$95,775,000 for road improvements and the refunding of such bonds.

Note 6 – Property Taxes

On May 5, 2018, 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 a road maintenance tax limited to \$0.25 per \$100 assessed value.

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 6 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$63,884 on the adjusted taxable value of \$7,098,230.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2020 levy collections in the amount of \$96,013 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Fund Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2020 tax levy of \$151,793 is reported as deferred inflows. These amounts will be recognized as revenue in 2021.

Note 7 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Missouri City (the "City"), the District transfers all of its water, sewer, drainage and road facilities to the City (see Note 8). Accordingly, the District does not record these capital assets in the Statement of Net Position, but instead reports the completed projects as transfers to other governments on the Statement of Activities. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2020, the District reported transfers to other governments in the amount of \$6,689,448 for projects completed and transferred to the City.

Note 8 – Utility and Road Agreement with the City of Missouri

On February 15, 2016, as amended December 17, 2018, the District entered into a Utility and Road Agreement with the City of Missouri City (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems, drainage facilities and road improvements to serve the District. Under the agreement, the District is responsible for the construction of a regional lift station and force main to serve the land within the District. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is thirty years.

Water and sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Missouri City Management District No. 1
Notes to Basic Financial Statements
December 31, 2020

Note 8 – Utility and Road Agreement with the City of Missouri (continued)

Public roads constructed by the District will be conveyed to the City, the County, or the State upon completion. The District may construct and maintain parks and recreation facilities which will be maintained by the District, another District, or a property owner's association, unless otherwise agreed to by the City. The District agrees to make binding arrangements to have the parks and recreational facilities maintained by an entity other than the City prior to the City's dissolution of the District.

Note 9 – 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 10 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Note 11 – 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. 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.

Required Supplementary Information

*Missouri City Management District No. 1
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended December 31, 2020*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 70,700	\$ 63,759	\$ (6,941)
Penalties and interest		64	64
Miscellaneous		161	161
Investment earnings	500	1,847	1,347
Total Revenues	71,200	65,831	(5,369)
Expenditures			
Operating and administrative			
Professional fees	113,500	126,626	(13,126)
Contracted services	9,800	22,232	(12,432)
Repairs and maintenance	1,200		1,200
Utilities		1,398	(1,398)
Administrative	14,950	17,514	(2,564)
Other	500	413	87
Capital outlay		3,327,195	(3,327,195)
Total Expenditures	139,950	3,495,378	(3,355,428)
Revenues Under Expenditures	(68,750)	(3,429,547)	(3,360,797)
Other Financing Sources			
Construction advances		3,327,195	3,327,195
Operating advances	68,750	53,600	(15,150)
Net Change in Fund Balance		(48,752)	(48,752)
Fund Balance			
Beginning of the year	(18,796)	(18,796)	
End of the year	\$ (18,796)	\$ (67,548)	\$ (48,752)

Missouri City Management District No. 1
Notes to Required Supplementary Information
December 31, 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

Missouri City Management District No. 1
TSI-1. Services and Rates
December 31, 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 checked="" 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 checked="" type="checkbox"/> Roads | <input type="checkbox"/> Security |
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other (Specify): Water and sewer service is provided by the City of Missouri City

2. Retail Service Providers

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

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

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

Missouri City Management District No. 1
TSI-1. Services and Rates
December 31, 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 pumped into system: N/A Water Accountability Ratio:
 (Gallons billed / Gallons pumped)
 Gallons billed to customers: N/A N/A

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 Missouri City

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? City of Missouri City

See accompanying auditors' report.

***Missouri City Management District No. 1
TSI-2 General Fund Expenditures
For the Year Ended December 31, 2020***

Professional fees		
Legal	\$	86,001
Audit		10,000
Engineering		30,625
		<u>126,626</u>
Contracted services		
Bookkeeping		10,380
Appraisal district fees		313
Tax assessor collector		11,539
		<u>22,232</u>
Utilities		<u>1,398</u>
Administrative		
Directors fees		9,450
Printing and office supplies		1,927
Insurance		3,694
Other		2,443
		<u>17,514</u>
Other		<u>413</u>
Capital outlay		<u>3,327,195</u>
Total expenditures	\$	<u><u>3,495,378</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.

Missouri City Management District No. 1
TSI-4. Taxes Levied and Receivable
December 31, 2020

	Maintenance Taxes		
Taxes Receivable, Beginning of Year	<u>\$ 24,176</u>		
2020 Original Tax Levy	150,307		
Adjustments	1,486		
Adjusted Tax Levy	<u>151,793</u>		
Total to be accounted for	<u>\$ 175,969</u>		
Tax collections:			
Current year	\$ 96,013		
Prior years	24,176		
Total Collections	<u>120,189</u>		
Taxes Receivable, End of Year	<u>\$ 55,780</u>		
Taxes Receivable, By Years			
2020	<u>\$ 55,780</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Property Valuations:			
Land	\$ 9,734,650	\$ 6,765,020	\$ 3,777,380
Improvements	7,099,283	344,410	
Personal Property	220,680		
Exemptions	(188,772)	(11,200)	(9,038)
Total Property Valuations	<u>\$ 16,865,841</u>	<u>\$ 7,098,230</u>	<u>\$ 3,768,342</u>
Tax Rates per \$100 Valuation:			
Maintenance tax rates	<u>\$ 0.90</u>	<u>\$ 0.90</u>	<u>\$ 0.90</u>
Adjusted Tax Levy:	<u>\$ 151,793</u>	<u>\$ 63,884</u>	<u>\$ 33,916</u>
Percentage of Taxes Collected to Taxes Levied **	<u>63.25%</u>	<u>100.00%</u>	<u>100.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 5, 2018

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on May 5, 2018

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

See accompanying auditors' report.

Missouri City Management District No. 1

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	\$ 63,759	\$ 33,916	\$ -	\$ -	\$ -
Penalties and interest	64	5			
Miscellaneous	161				
Investment earnings	1,847	457	78	3	4
Total Revenues	<u>65,831</u>	<u>34,378</u>	<u>78</u>	<u>3</u>	<u>4</u>
Expenditures					
Operating and administrative					
Professional fees	126,626	115,156	122,934	89,658	18,378
Contracted services	22,232	19,560	14,412	9,720	8,800
Repairs and maintenance		845			
Utilities	1,398				
Administrative	17,514	16,252	16,393	8,302	1,587
Other	413	303	473	135	
Capital outlay	3,327,195	1,790,139	1,250,504		
Total Expenditures	<u>3,495,378</u>	<u>1,942,255</u>	<u>1,404,716</u>	<u>107,815</u>	<u>28,765</u>
Revenues Under Expenditures	<u>\$ (3,429,547)</u>	<u>\$ (1,907,877)</u>	<u>\$ (1,404,638)</u>	<u>\$ (107,812)</u>	<u>\$ (28,761)</u>

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2020	2019	2018	2017**	2016**
97%	99%			
*	*			
*				
3%	1%	100%	100%	100%
100%	100%	100%	100%	100%
192%	335%	157608%	2988600%	459450%
34%	57%	18477%	324000%	220000%
	2%			
2%				
27%	47%	21017%	276733%	39675%
1%	1%	606%	4500%	
5054%	5207%	1603210%		
5310%	5649%	1800918%	3593833%	719125%
(5,210%)	(5,549%)	(1,800,818%)	(3,593,733%)	(719,025%)

Missouri City Management District No. 1
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended December 31, 2020

Complete District Mailing Address: 3200 Southwest Freeway, Ste. 2600
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 16, 2019
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse-ments</u>	<u>Title at Year End</u>
Board Members				
Anthony C. Francis	06/19 - 06/23	\$ 1,950	\$ 23	President
Adrienne Barker	06/19 - 06/23	1,350	23	Vice President
Wilfred Green	06/17 - 06/21	1,500	66	Secretary
Todd Burrer	06/19 - 06/23	1,200	20	Assistant Secretary
Loveless Mitchell	06/17 - 06/21	600		Director
Jaime Virkus	06/19 - 06/23	1,500	69	Director
Karen Travelstread	11/19 - 06/21	1,350	30	Director
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2016	<u>\$ 86,001</u>		Attorney
F. Matuska, Inc.	2016	12,116		Bookkeeper
B&A Municipal Tax Service, LLC	2018	9,449		Tax Collector
Fort Bend Cental Appraisal District	Legislation	313		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2019	105		Delinquent Tax Attorney
Jones & Carter, Inc.	2016	30,624		Engineer
McGrath & Co., PLLC	Annual	10,000		Auditor
Post Oak Municipal Advisors LLC	2018			Financial Advisor

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

See accompanying auditors' report.