

**Fort Bend County Municipal Utility District No. 123**

Fort Bend County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2020



**Fort Bend County Municipal Utility District No. 123**  
**September 30, 2020**

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## Independent Auditor's Report

Board of Directors  
Fort Bend County Municipal Utility District No. 123  
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 123 (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***BKD, LLP***

Houston, Texas  
February 12, 2021

# **Fort Bend County Municipal Utility District No. 123**

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

### **September 30, 2020**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### **Government-wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets, liabilities, and deferred inflows and outflows of resources of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

**Fort Bend County Municipal Utility District No. 123**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

**Governmental Funds**

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's assets, liabilities, and deferred inflows and outflows of resources is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position, as reported in the governmental activities column in the statement of activities.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

**Fort Bend County Municipal Utility District No. 123**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

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

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

**Summary of Net Position**

	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 9,184,376	\$ 10,479,888
Capital assets	28,297,177	27,159,176
Total assets	37,481,553	37,639,064
Deferred outflows of resources	1,011,985	983,440
Total assets and deferred outflows of resources	\$ 38,493,538	\$ 38,622,504
Long-term liabilities	\$ 30,179,170	\$ 31,172,144
Other liabilities	477,126	1,267,444
Total liabilities	30,656,296	32,439,588
Net position:		
Net investment in capital assets	50,416	(1,824,005)
Restricted	1,637,931	1,676,954
Unrestricted	6,148,895	6,329,967
Total net position	\$ 7,837,242	\$ 6,182,916

The total net position of the District increased by \$1,654,326 or 27 percent. The majority of the increase in net position is related to tax revenues intended to pay principal on the District's bonded indebtedness, which is shown as long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Fort Bend County Municipal Utility District No. 123**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

**Summary of Changes in Net Position**

	<b>2020</b>	<b>2019</b>
Revenues:		
Property taxes	\$ 3,666,506	\$ 3,637,829
Charges for services	1,657,210	1,539,343
Other revenues	126,361	249,052
Total revenues	<u>5,450,077</u>	<u>5,426,224</u>
Expenses:		
Services	1,941,710	1,845,979
Depreciation	620,808	569,691
Debt service	1,233,233	1,416,395
Total expenses	<u>3,795,751</u>	<u>3,832,065</u>
Change in net position	1,654,326	1,594,159
Net position, beginning of year	<u>6,182,916</u>	<u>4,588,757</u>
Net position, end of year	<u><u>\$ 7,837,242</u></u>	<u><u>\$ 6,182,916</u></u>

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

The District's combined fund balances as of the end of the fiscal year ended September 30, 2020, were \$8,781,238, a decrease of \$510,876 from the prior year.

The general fund's fund balance decreased by \$63,578, primarily due to capital outlay expenditures, including the acquisition of a 12.5-acre tract of land.

The debt service fund's fund balance decreased by \$58,469, primarily due to funds utilized in the defeasance of the Series 2012 bonds.

The capital projects fund's fund balance decreased by \$388,829, primarily due to capital outlay expenditures, including installation of generators at the District's lift stations.

**General Fund Budgetary Highlights**

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to regional water fee revenue being higher than anticipated and investment income, repairs and maintenance and capital outlay expenditures being lower than anticipated. The fund balance as of September 30, 2020, was expected to be \$4,678,605 and the actual end-of-year fund balance was \$6,130,706.



**Fort Bend County Municipal Utility District No. 123**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

**Capital Assets and Related Debt**

**Capital Assets**

Capital assets held by the District at the end of the current and previous fiscal years are summarized below:

**Capital Assets (Net of Accumulated Depreciation)**

	<b>2020</b>	<b>2019</b>
Land and improvements	\$ 9,719,406	\$ 8,824,417
Construction in progress	2,170,248	2,656,574
Water facilities	3,720,896	3,618,667
Wastewater facilities	6,942,650	6,133,443
Drainage facilities	5,743,977	5,926,075
Total capital assets	\$ 28,297,177	\$ 27,159,176

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

12.5-acre parcel of land for recreation facilities	\$ 894,989
Construction in progress pertaining to slope rehabilitation for Lake 7S, 8S and 9, wastewater plant access road and plat, generators at lift station Nos. 1, 2 and 3, and Lakemont Lake 8S, Phase 2,	788,726
Wastewater treatment expansion, Phase 8	36,825
Rehabilitation and relocation of irrigation line for Mason Road and Lakemont Bend Lane	38,269
Total additions to capital assets	\$ 1,758,809

**Debt**

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

Long-term debt payable, beginning of year	\$ 31,172,144
Increases in long-term debt	2,805,785
Decreases in long-term debt	(3,798,759)
Long-term debt payable, end of year	\$ 30,179,170

**Fort Bend County Municipal Utility District No. 123**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

At September 30, 2020, the District had \$17,605,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

On August 28, 2020, the District issued \$2,755,000 in unlimited tax refunding bonds, Series 2020 to refund \$2,660,000 of outstanding Series 2012 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$450,472 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$370,042.

The District's bonds carry an underlying rating of "A3" from Moody's Investors Service or "BBB" from Standard & Poor's. The Series 2013, 2019 and refunding 2017 and refunding 2020 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2014, 2015 and refunding 2016 and refunding 2019A bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

**Other Relevant Factors**

**Relationship to the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent. If the District is annexed, the City must assume the District's assets and obligations (including the bonded indebtedness) and abolish the District within 90 days.

**Fort Bend County Municipal Utility District No. 123**  
**Statement of Net Position and Governmental Funds Balance Sheet**  
**September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 619,421	\$ 1,403,081	\$ 1,447	\$ 2,023,949	\$ -	\$ 2,023,949
Certificates of deposit	246,687	247,771	-	494,458	-	494,458
Short-term investments	5,390,355	-	1,037,771	6,428,126	-	6,428,126
Receivables:						
Property taxes	3,765	6,220	-	9,985	-	9,985
Service accounts	150,340	-	-	150,340	-	150,340
Accrued interest	251	1,008	-	1,259	-	1,259
Interfund receivable	4,409	8,608	-	13,017	(13,017)	-
Prepaid expenditures	1,259	-	-	1,259	-	1,259
Operating reserve	75,000	-	-	75,000	-	75,000
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	9,719,406	9,719,406
Construction in progress	-	-	-	-	2,170,248	2,170,248
Infrastructure	-	-	-	-	16,407,523	16,407,523
<b>Total assets</b>	<b>6,491,487</b>	<b>1,666,688</b>	<b>1,039,218</b>	<b>9,197,393</b>	<b>28,284,160</b>	<b>37,481,553</b>
<b>Deferred Outflows of Resources</b>						
Deferred amount on debt refundings	0	0	0	0	1,011,985	1,011,985
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,491,487</b>	<b>\$ 1,666,688</b>	<b>\$ 1,039,218</b>	<b>\$ 9,197,393</b>	<b>\$ 29,296,145</b>	<b>\$ 38,493,538</b>

**Fort Bend County Municipal Utility District No. 123**  
**Statement of Net Position and Governmental Funds Balance Sheet (Continued)**  
**September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Liabilities</b>						
Accounts payable	\$ 117,713	\$ 3,207	\$ 8,355	\$ 129,275	\$ -	\$ 129,275
Accrued interest payable	-	4,526	-	4,526	83,973	88,499
Due to others	101,471	-	5,200	106,671	-	106,671
Customer deposits	114,800	-	-	114,800	-	114,800
Interfund payable	8,608	4,409	-	13,017	(13,017)	-
Retainage payable	14,424	-	23,457	37,881	-	37,881
Long-term liabilities:						
Due within one year	-	-	-	-	1,235,000	1,235,000
Due after one year	-	-	-	-	28,944,170	28,944,170
<b>Total liabilities</b>	<b>357,016</b>	<b>12,142</b>	<b>37,012</b>	<b>406,170</b>	<b>30,250,126</b>	<b>30,656,296</b>
<b>Deferred Inflows of Resources</b>						
Deferred property tax revenues	3,765	6,220	0	9,985	(9,985)	0
<b>Fund Balances/Net Position</b>						
Fund balances:						
Nonspendable, prepaid expenditures	1,259	-	-	1,259	(1,259)	-
Restricted:						
Unlimited tax bonds	-	1,648,326	-	1,648,326	(1,648,326)	-
Water, sewer and drainage	-	-	1,002,206	1,002,206	(1,002,206)	-
Assigned, operating reserve	75,000	-	-	75,000	(75,000)	-
Unassigned	6,054,447	-	-	6,054,447	(6,054,447)	-
<b>Total fund balances</b>	<b>6,130,706</b>	<b>1,648,326</b>	<b>1,002,206</b>	<b>8,781,238</b>	<b>(8,781,238)</b>	<b>0</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 6,491,487</b>	<b>\$ 1,666,688</b>	<b>\$ 1,039,218</b>	<b>\$ 9,197,393</b>		
Net position:						
Net investment in capital assets					50,416	50,416
Restricted for debt service					1,570,573	1,570,573
Restricted for capital projects					67,358	67,358
Unrestricted					6,148,895	6,148,895
<b>Total net position</b>					<b>\$ 7,837,242</b>	<b>\$ 7,837,242</b>

**Fort Bend County Municipal Utility District No. 123**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Year Ended September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 1,410,159	\$ 2,260,407	\$ -	\$ 3,670,566	\$ (4,060)	\$ 3,666,506
Water service	470,146	-	-	470,146	-	470,146
Sewer service	632,732	-	-	632,732	-	632,732
Regional water fee	554,332	-	-	554,332	-	554,332
Penalty and interest	20,440	15,808	-	36,248	-	36,248
Tap connection and inspection fees	940	-	-	940	-	940
Investment income	56,628	14,542	12,346	83,516	-	83,516
Other income	5,657	-	-	5,657	-	5,657
<b>Total revenues</b>	<b>3,151,034</b>	<b>2,290,757</b>	<b>12,346</b>	<b>5,454,137</b>	<b>(4,060)</b>	<b>5,450,077</b>
<b>Expenditures/Expenses</b>						
Service operations:						
Purchased services	990,564	-	-	990,564	-	990,564
Professional fees	134,191	3,157	-	137,348	8,360	145,708
Contracted services	446,030	51,685	-	497,715	-	497,715
Utilities	12,771	-	-	12,771	-	12,771
Repairs and maintenance	201,518	-	-	201,518	-	201,518
Other expenditures	63,544	29,890	-	93,434	-	93,434
Capital outlay	1,358,194	-	408,975	1,767,169	(1,767,169)	-
Depreciation	-	-	-	-	620,808	620,808
Debt service:						
Principal retirement	-	1,190,000	-	1,190,000	(1,190,000)	-
Interest and fees	-	1,038,433	-	1,038,433	61,917	1,100,350
Debt issuance costs	-	132,883	-	132,883	-	132,883
Debt defeasance	-	43,000	-	43,000	(43,000)	-
<b>Total expenditures/expenses</b>	<b>3,206,812</b>	<b>2,489,048</b>	<b>408,975</b>	<b>6,104,835</b>	<b>(2,309,084)</b>	<b>3,795,751</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(55,778)</b>	<b>(198,291)</b>	<b>(396,629)</b>	<b>(650,698)</b>	<b>2,305,024</b>	

**Fort Bend County Municipal Utility District No. 123**  
**Statement of Activities and Governmental Funds Revenues,**  
**Expenditures and Changes in Fund Balances (Continued)**  
**Year Ended September 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Other Financing Sources (Uses)</b>						
Interfund transfers in (out)	\$ (7,800)	\$ -	\$ 7,800	\$ -	\$ -	
General obligation bonds issued	-	2,755,000	-	2,755,000	(2,755,000)	
Deposit with escrow agent	-	(2,665,963)	-	(2,665,963)	2,665,963	
Premium on debt issued	-	50,785	-	50,785	(50,785)	
Total other financing sources (uses)	(7,800)	139,822	7,800	139,822	(139,822)	
<b>Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(63,578)	(58,469)	(388,829)	(510,876)	510,876	
<b>Change in Net Position</b>					1,654,326	\$ 1,654,326
<b>Fund Balances/Net Position</b>						
Beginning of year	6,194,284	1,706,795	1,391,035	9,292,114	-	6,182,916
End of year	\$ 6,130,706	\$ 1,648,326	\$ 1,002,206	\$ 8,781,238	\$ 0	\$ 7,837,242

# **Fort Bend County Municipal Utility District No. 123**

## **Notes to Financial Statements**

### **September 30, 2020**

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

Fort Bend County Municipal Utility District No. 123 (the District) was created by an order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective November 21, 2000, in accordance with the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

#### ***Reporting Entity***

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

#### ***Government-wide and Fund Financial Statements***

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

# Fort Bend County Municipal Utility District No. 123

## Notes to Financial Statements

### September 30, 2020

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

*General Fund* – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

*Debt Service Fund* – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

*Capital Projects Fund* – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

#### **Fund Balances – Governmental Funds**

The fund balances for the District's governmental funds can be displayed in up to five components:

*Nonspendable* – Amounts that are not in a spendable form or are required to be maintained intact.

*Restricted* – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed* – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

***Measurement Focus and Basis of Accounting***

**Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities.

**Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

***Deferred Outflows and Inflows of Resources***

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

***Interfund Transactions***

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

***Pension Costs***

The District does not participate in a pension plan and, therefore, has no pension costs.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

***Investments and Investment Income***

Investments in certificates of deposit, mutual funds, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

***Property Taxes***

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<b>Years</b>
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Drainage facilities	10-45

***Deferred Amount on Debt Refundings***

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

***Debt Issuance Costs***

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Position/Fund Balances***

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first.

***Reconciliation of Government-wide and Fund Financial Statements***

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 28,297,177
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	9,985
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	1,011,985
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(83,973)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(30,179,170)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (943,996)</u></u>

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ (510,876)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation and noncapitalized costs in the current year.	1,138,001
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(50,785)
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	1,143,963
Revenues collected in the current year, which have previously been reported in the statement of activities, are reported as revenues in the governmental funds.	(4,060)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(61,917)
Change in net position of governmental activities.	<u>\$ 1,654,326</u>

**Note 2: Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

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

**Investments**

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," bonds issued, assumed or guaranteed by the State of Israel, insured or collateralized certificates of deposit of financial institutions domiciled in Texas, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexSTAR, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

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

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexSTAR	<u>\$ 6,428,126</u>	<u>\$ 6,428,126</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

**Credit Risk.** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

**Summary of Carrying Values**

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2020, as follows:

Carrying value:		
Deposits	\$	2,518,407
Investments		<u>6,428,126</u>
Total	\$	<u><u>8,946,533</u></u>

Included in the following statement of net position captions:

Cash	\$	2,023,949
Certificates of deposit		494,458
Short-term investments		<u>6,428,126</u>
Total	\$	<u><u>8,946,533</u></u>

**Investment Income**

Investment income of \$83,516 for the year ended September 30, 2020, consisted of interest income.

**Note 3: Capital Assets**

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

Governmental Activities	Balances, Beginning of Year	Additions	Reclassifi- cations	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	\$ 8,824,417	\$ 894,989	\$ -	\$ 9,719,406
Construction in progress	2,656,574	788,726	(1,275,052)	2,170,248
Total capital assets, non-depreciable	<u>11,480,991</u>	<u>1,683,715</u>	<u>(1,275,052)</u>	<u>11,889,654</u>
Capital assets, depreciable:				
Water production and distribution facilities	5,384,679	38,269	229,905	5,652,853
Wastewater collection and treatment facilities	8,445,042	36,825	1,045,147	9,527,014
Drainage facilities	8,001,566	-	-	8,001,566
Total capital assets, depreciable	<u>21,831,287</u>	<u>75,094</u>	<u>1,275,052</u>	<u>23,181,433</u>

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

<b>Governmental Activities (Continued)</b>	<b>Balances, Beginning of Year</b>	<b>Additions</b>	<b>Reclassifi- cations</b>	<b>Balances, End of Year</b>
Less accumulated depreciation:				
Water production and distribution facilities	\$ (1,766,012)	\$ (165,945)	\$ -	\$ (1,931,957)
Wastewater collection and treatment facilities	(2,311,599)	(272,765)	-	(2,584,364)
Drainage facilities	<u>(2,075,491)</u>	<u>(182,098)</u>	<u>-</u>	<u>(2,257,589)</u>
Total accumulated depreciation	<u>(6,153,102)</u>	<u>(620,808)</u>	<u>0</u>	<u>(6,773,910)</u>
Total governmental activities, net	<u>\$ 27,159,176</u>	<u>\$ 1,138,001</u>	<u>\$ 0</u>	<u>\$ 28,297,177</u>

**Note 4: Long-term Liabilities**

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

<b>Governmental Activities</b>	<b>Balances, Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances, End of Year</b>	<b>Amounts Due In One Year</b>
Bonds payable:					
General obligation bonds	\$ 30,940,000	\$ 2,755,000	\$ 3,850,000	\$ 29,845,000	\$ 1,235,000
Add premiums on bonds	620,925	50,785	31,937	639,773	-
Less discounts on bonds	<u>388,781</u>	<u>-</u>	<u>83,178</u>	<u>305,603</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 31,172,144</u>	<u>\$ 2,805,785</u>	<u>\$ 3,798,759</u>	<u>\$ 30,179,170</u>	<u>\$ 1,235,000</u>

**General Obligation Bonds**

	<b>Series 2013</b>	<b>Series 2014</b>
Amounts outstanding, September 30, 2020	\$3,600,000	\$4,440,000
Interest rates	4.625% to 4.750%	2.00% to 3.50%
Maturity dates, serially beginning/ending	September 1, 2021/2039	September 1, 2021/2039
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2021	September 1, 2022

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



**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

	<b>Series 2015</b>	<b>Refunding Series 2016</b>
Amounts outstanding, September 30, 2020	\$1,525,000	\$8,915,000
Interest rates	2.00% to 4.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2039	September 1, 2021/2034
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2023	September 1, 2023
	<b>Refunding Series 2017</b>	<b>Series 2019</b>
Amounts outstanding, September 30, 2020	\$4,030,000	\$2,360,000
Interest rates	2.000% to 3.125%	3.00% to 3.55%
Maturity dates, serially beginning/ending	September 1, 2021/2035	September 1, 2021/2040
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2024
	<b>Refunding Series 2019A</b>	<b>Refunding Series 2020</b>
Amounts outstanding, September 30, 2020	\$2,220,000	\$2,755,000
Interest rates	3.00% to 3.50%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2036	September 1, 2021/2037
Interest payment dates	March 1/ September 1	March 1/ September 1
Callable dates*	September 1, 2024	September 1, 2026

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

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

***Annual Debt Service Requirements***

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,235,000	\$ 1,006,665	\$ 2,241,665
2022	1,265,000	968,222	2,233,222
2023	1,305,000	929,461	2,234,461
2024	1,345,000	892,298	2,237,298
2025	1,385,000	847,936	2,232,936
2026-2030	7,580,000	3,521,399	11,101,399
2031-2035	8,815,000	2,167,680	10,982,680
2036-2040	6,915,000	661,980	7,576,980
Total	<u>\$ 29,845,000</u>	<u>\$ 10,995,641</u>	<u>\$ 40,840,641</u>

On August 28, 2020, the District issued \$2,755,000 in unlimited tax refunding bonds, Series 2020 to refund \$2,660,000 of outstanding Series 2012 bonds. The District refunded the bonds to reduce total debt service payments over future years by \$450,472 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$370,042.

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

Bonds voted	\$ 55,000,000
Bonds sold	37,395,000
Refunding bonds voted	35,000,000
Refunding bonds authorization used	768,397

**Note 5: Significant Bond Resolution and Commission Requirements**

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2020, the District levied an ad valorem debt service tax at the rate of \$0.6650 per \$100 of assessed valuation, which resulted in a tax levy of \$2,261,148 on the taxable valuation of \$340,022,281 for the 2019 tax year. The interest and principal requirements paid from the tax revenues and available resources were \$2,224,037.

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note 6: Maintenance Taxes**

At an election held January 20, 2001, voters authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property within the District subject to taxation. During the year ended September 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.4150 per \$100 of assessed valuation, which resulted in a tax levy of \$1,411,092 on the taxable valuation of \$340,022,281 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

**Note 7: Joint Facilities**

As of February 2, 2004, and as amended February 15, 2006, March 21, 2007, March 19, 2008, April 15, 2009, February 15, 2012 and May 12, 2020, the District and Fort Bend County Municipal Utility District No. 122 (District No. 122) entered into a joint use and cost sharing agreement of a water plant, a wastewater treatment plant, other water distribution and sanitary sewer collection facilities, and detention and drainage facilities and recreational facilities that serve areas within both districts. Under the terms of the 40-year agreement, operating costs (except for lease payments and recreational facilities costs) are shared based upon the number of active connections served by each district and capital costs are shared based on the capacity owned by each district. The District's share of lease payments is 52 percent. The District's share of recreational facilities costs is 60 percent. District No. 122 manages and operates the facilities for the benefit of the participants. During the current year, the District incurred expenditures under the agreement of \$990,564 including purchased services and capital outlay expenditures.

The following table represents condensed audited financial information of the joint facilities as of and for the year ended September 30, 2020:

Total assets	<u>\$</u>	<u>317,453</u>
Total liabilities	\$	167,453
Total fund balance		<u>150,000</u>
Total liabilities and fund balance	<u>\$</u>	<u>317,453</u>
Total revenues	\$	1,863,868
Total expenditures		<u>1,863,868</u>
Excess revenues	<u>\$</u>	<u>0</u>

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Financial Statements**  
**September 30, 2020**

**Note 8: Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

**Note 9: Regional Water Authority**

The District is within the boundaries of the North Fort Bend Water Authority (the Authority), which was created by the Texas Legislature. The Authority was created to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Fort Bend Subsidence District, which regulates groundwater withdrawal. At September 30, 2020, the Authority was billing District No. 122 \$3.95 per 1,000 gallons of water pumped from its wells and \$4.30 for surface water. District No. 122 in turn bills the District for its proportionate share of these fees. These amounts are subject to future increases.

**Note 10: Uncertainties**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Fort Bend County Municipal Utility District No. 123**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended September 30, 2020**

	<b>Original Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Property taxes	\$ 1,399,496	\$ 1,410,159	\$ 10,663
Water service	462,000	470,146	8,146
Sewer service	600,000	632,732	32,732
Regional water fee	432,000	554,332	122,332
Penalty and interest	19,800	20,440	640
Tap connection and inspection fees	-	940	940
Investment income	120,000	56,628	(63,372)
Other income	-	5,657	5,657
	<u>3,033,296</u>	<u>3,151,034</u>	<u>117,738</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Service operations:			
Purchased services	1,009,510	990,564	18,946
Professional fees	128,400	134,191	(5,791)
Contracted services	422,000	446,030	(24,030)
Utilities	13,000	12,771	229
Repairs and maintenance	304,000	201,518	102,482
Other expenditures	72,065	63,544	8,521
Capital outlay	2,600,000	1,358,194	1,241,806
	<u>4,548,975</u>	<u>3,206,812</u>	<u>1,342,163</u>
<b>Total expenditures</b>			
<b>Deficiency of Revenues Over Expenditures</b>	(1,515,679)	(55,778)	1,459,901
<b>Other Financing Uses</b>			
Interfund transfers out	-	(7,800)	(7,800)
<b>Deficiency of Revenues and Transfers In Over Expenditures and Transfers Out</b>			
	(1,515,679)	(63,578)	1,452,101
<b>Fund Balance, Beginning of Year</b>	<u>6,194,284</u>	<u>6,194,284</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 4,678,605</u>	<u>\$ 6,130,706</u>	<u>\$ 1,452,101</u>

**Fort Bend County Municipal Utility District No. 123**  
**Notes to Required Supplementary Information**  
**September 30, 2020**

***Budgets and Budgetary Accounting***

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

## **Other Information**



**Fort Bend County Municipal Utility District No. 123**  
**Other Schedules Included Within This Report**  
**September 30, 2020**

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] Notes Required by the Water District Accounting Manual  
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund -  
Five Years
- [X] Board Members, Key Personnel and Consultants

# Fort Bend County Municipal Utility District No. 123

## Schedule of Services and Rates

### Year Ended September 30, 2020

1. Services provided by the District:

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

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
Water:	\$ 20.25	5,000	N	\$ 2.70	5,001 to 10,000
				\$ 3.00	10,001 to 20,000
				\$ 3.15	20,001 to 50,000
				\$ 3.30	50,001 to 75,000
				\$ 3.60	75,001 to No Limit
Wastewater:	\$ 35.39	5,000	N	\$ 2.25	5,001 to No Limit
Regional water fee:	\$ 4.73	1	N	\$ 4.73	1,001 to No Limit
Does the District employ winter averaging for wastewater usage?					Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Total charges per 10,000 gallons usage (including fees):				Water \$ 81.05	Wastewater \$ 46.64

b. Water and wastewater retail connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC*</u>
Unmetered	-	-	x1.0	-
≤ 3/4"	1,135	1,130	x1.0	1,130
1"	257	257	x2.5	643
1 1/2"	-	-	x5.0	-
2"	9	9	x8.0	72
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	1,401	1,396		1,845
Total wastewater	1,384	1,380	x1.0	1,380

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

Gallons pumped into the system:	119,896
Gallons billed to customers:	119,896
Water accountability ratio (gallons billed/gallons pumped):	100.00%

\*"ESFC" means equivalent single-family connections

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of General Fund Expenditures**  
**Year Ended September 30, 2020**

<b>Personnel (including benefits)</b>		\$	-
<b>Professional Fees</b>			
Auditing	\$	19,600	
Legal		89,190	
Engineering		25,401	
Financial advisor		-	134,191
		<hr/>	
<b>Purchased Services for Resale</b>			
Bulk water and wastewater service purchases			990,564
<b>Regional Water Fee</b>			-
<b>Contracted Services</b>			
Bookkeeping		15,900	
General manager		-	
Appraisal district		-	
Tax collector		-	
Security		88,008	
Other contracted services		60,873	164,781
		<hr/>	
<b>Utilities</b>			12,771
<b>Repairs and Maintenance</b>			201,518
<b>Administrative Expenditures</b>			
Directors' fees		9,450	
Office supplies		19,279	
Insurance		7,846	
Other administrative expenditures		26,969	63,544
		<hr/>	
<b>Capital Outlay</b>			
Capitalized assets		1,354,135	
Expenditures not capitalized		4,059	1,358,194
		<hr/>	
<b>Debt Service</b>			
Debt issuance costs			-
<b>Tap Connection Expenditures</b>			-
<b>Solid Waste Disposal</b>			281,249
<b>Fire Fighting</b>			-
<b>Parks and Recreation</b>			-
<b>Other Expenditures</b>			-
			<hr/>
Total expenditures			<u><u>\$ 3,206,812</u></u>

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Temporary Investments**  
**September 30, 2020**

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Accrued Interest Receivable</b>
<b>General Fund</b>				
Certificate of Deposit				
No. 95900011929696	0.70%	08/08/21	\$ 246,687	\$ 251
TexSTAR	0.12%	Demand	<u>5,390,355</u>	<u>-</u>
			<u>5,637,042</u>	<u>251</u>
<b>Debt Service Fund</b>				
Certificate of Deposit				
No. 1002360856	0.90%	10/17/20	<u>247,771</u>	<u>1,008</u>
<b>Capital Projects Fund</b>				
TexSTAR	0.12%	Demand	<u>1,037,771</u>	<u>0</u>
Totals			<u><u>\$ 6,922,584</u></u>	<u><u>\$ 1,259</u></u>

**Fort Bend County Municipal Utility District No. 123**  
**Analysis of Taxes Levied and Receivable**  
**Year Ended September 30, 2020**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Receivable, Beginning of Year</b>	\$ 5,183	\$ 8,862
Additions and corrections to prior year's taxes	(2,351)	(3,383)
Adjusted receivable, beginning of year	2,832	5,479
 <b>2019 Original Tax Levy</b>	 1,410,598	 2,260,356
Additions and corrections	494	792
Adjusted tax levy	1,411,092	2,261,148
Total to be accounted for	1,413,924	2,266,627
Tax collections: Current year	(1,408,305)	(2,256,681)
Prior years	(1,854)	(3,726)
Receivable, end of year	\$ 3,765	\$ 6,220
 <b>Receivable, by Years</b>		
2019	\$ 2,787	\$ 4,467
2018	53	90
2017	631	1,047
2016	83	134
2015	164	352
2014	47	130
Receivable, end of year	\$ 3,765	\$ 6,220

**Fort Bend County Municipal Utility District No. 123**  
**Analysis of Taxes Levied and Receivable (Continued)**  
**Year Ended September 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Property Valuations</b>				
Land	\$ 62,171,800	\$ 58,998,270	\$ 58,043,110	\$ 58,027,100
Improvements	281,831,785	281,435,047	279,550,890	274,080,300
Personal property	1,764,260	1,686,850	1,898,620	1,717,940
Exemptions	<u>(5,745,564)</u>	<u>(5,069,427)</u>	<u>(4,481,086)</u>	<u>(3,897,140)</u>
Total property valuations	<u>\$ 340,022,281</u>	<u>\$ 337,050,740</u>	<u>\$ 335,011,534</u>	<u>\$ 329,928,200</u>
<b>Tax Rates per \$100 Valuation</b>				
Debt service tax rates	\$ 0.6650	\$ 0.6800	\$ 0.6800	\$ 0.6800
Maintenance tax rates*	<u>0.4150</u>	<u>0.4000</u>	<u>0.4100</u>	<u>0.4190</u>
Total tax rates per \$100 valuation	<u>\$ 1.0800</u>	<u>\$ 1.0800</u>	<u>\$ 1.0900</u>	<u>\$ 1.0990</u>
<b>Tax Levy</b>	<u>\$ 3,672,240</u>	<u>\$ 3,640,148</u>	<u>\$ 3,651,625</u>	<u>\$ 3,625,910</u>
<b>Percent of Taxes Collected to Taxes Levied**</b>	<u>99%</u>	<u>99%</u>	<u>99%</u>	<u>99%</u>

\*Maximum tax rate approved by voters: \$1.50 on January 20, 2001.

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

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Series 2013		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 50,000	\$ 170,188	\$ 220,188
2022	50,000	167,875	217,875
2023	50,000	165,563	215,563
2024	50,000	163,250	213,250
2025	50,000	160,938	210,938
2026	50,000	158,625	208,625
2027	50,000	156,313	206,313
2028	50,000	154,000	204,000
2029	50,000	151,688	201,688
2030	50,000	149,375	199,375
2031	50,000	147,063	197,063
2032	50,000	144,750	194,750
2033	50,000	142,438	192,438
2034	150,000	140,125	290,125
2035	400,000	133,000	533,000
2036	600,000	114,000	714,000
2037	600,000	85,500	685,500
2038	600,000	57,000	657,000
2039	600,000	28,500	628,500
Totals	\$ 3,600,000	\$ 2,590,191	\$ 6,190,191

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Series 2014		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 140,000	\$ 141,288	\$ 281,288
2022	150,000	137,087	287,087
2023	160,000	132,588	292,588
2024	170,000	127,787	297,787
2025	180,000	122,688	302,688
2026	190,000	117,287	307,287
2027	200,000	111,588	311,588
2028	210,000	105,587	315,587
2029	220,000	99,288	319,288
2030	230,000	92,687	322,687
2031	240,000	85,788	325,788
2032	250,000	78,587	328,587
2033	260,000	70,775	330,775
2034	260,000	62,650	322,650
2035	280,000	54,200	334,200
2036	300,000	44,750	344,750
2037	300,000	34,625	334,625
2038	350,000	24,500	374,500
2039	350,000	12,250	362,250
Totals	\$ 4,440,000	\$ 1,656,000	\$ 6,096,000



**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Series 2015		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 75,000	\$ 52,562	\$ 127,562
2022	75,000	50,313	125,313
2023	75,000	48,062	123,062
2024	75,000	45,813	120,813
2025	75,000	43,562	118,562
2026	75,000	41,125	116,125
2027	75,000	38,687	113,687
2028	75,000	36,250	111,250
2029	75,000	33,812	108,812
2030	75,000	31,375	106,375
2031	75,000	28,938	103,938
2032	75,000	26,312	101,312
2033	75,000	23,688	98,688
2034	75,000	21,063	96,063
2035	75,000	18,344	93,344
2036	100,000	15,625	115,625
2037	100,000	12,000	112,000
2038	100,000	8,000	108,000
2039	100,000	4,000	104,000
Totals	\$ 1,525,000	\$ 579,531	\$ 2,104,531

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

<b>Due During Fiscal Years Ending September 30</b>	<b>Refunding Series 2016</b>		
	<b>Principal Due September 1</b>	<b>Interest Due March 1, September 1</b>	<b>Total</b>
2021	\$ 200,000	\$ 326,200	\$ 526,200
2022	495,000	320,200	815,200
2023	510,000	305,350	815,350
2024	530,000	290,050	820,050
2025	555,000	268,850	823,850
2026	585,000	246,650	831,650
2027	605,000	223,250	828,250
2028	630,000	199,050	829,050
2029	655,000	173,850	828,850
2030	675,000	147,650	822,650
2031	880,000	120,650	1,000,650
2032	905,000	85,450	990,450
2033	930,000	58,300	988,300
2034	760,000	30,400	790,400
Totals	<u>\$ 8,915,000</u>	<u>\$ 2,795,900</u>	<u>\$ 11,710,900</u>

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Refunding Series 2017		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 445,000	\$ 103,888	\$ 548,888
2022	165,000	94,987	259,987
2023	280,000	90,038	370,038
2024	285,000	84,438	369,438
2025	280,000	78,738	358,738
2026	280,000	73,138	353,138
2027	290,000	66,838	356,838
2028	305,000	59,587	364,587
2029	310,000	51,962	361,962
2030	320,000	42,662	362,662
2031	150,000	33,062	183,062
2032	150,000	28,562	178,562
2033	160,000	24,062	184,062
2034	285,000	19,062	304,062
2035	325,000	10,156	335,156
Totals	\$ 4,030,000	\$ 861,180	\$ 4,891,180

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Series 2019		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 50,000	\$ 78,985	\$ 128,985
2022	50,000	77,485	127,485
2023	50,000	75,985	125,985
2024	50,000	74,485	124,485
2025	50,000	72,985	122,985
2026	50,000	71,485	121,485
2027	50,000	69,985	119,985
2028	50,000	68,485	118,485
2029	50,000	66,985	116,985
2030	50,000	65,485	115,485
2031	50,000	63,985	113,985
2032	70,000	62,485	132,485
2033	70,000	60,140	130,140
2034	70,000	57,795	127,795
2035	20,000	55,450	75,450
2036	100,000	54,780	154,780
2037	370,000	51,430	421,430
2038	370,000	38,850	408,850
2039	370,000	26,085	396,085
2040	370,000	13,135	383,135
Totals	\$ 2,360,000	\$ 1,206,485	\$ 3,566,485

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Refunding Series 2019A		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 210,000	\$ 68,175	\$ 278,175
2022	210,000	61,875	271,875
2023	110,000	55,575	165,575
2024	110,000	52,275	162,275
2025	110,000	48,975	158,975
2026	110,000	45,675	155,675
2027	105,000	42,375	147,375
2028	105,000	39,225	144,225
2029	105,000	35,550	140,550
2030	105,000	31,875	136,875
2031	105,000	28,200	133,200
2032	100,000	25,050	125,050
2033	100,000	22,050	122,050
2034	100,000	19,050	119,050
2035	270,000	16,050	286,050
2036	265,000	7,950	272,950
Totals	\$ 2,220,000	\$ 599,925	\$ 2,819,925

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Refunding Series 2020		
	Principal Due September 1	Interest Due March 1, September 1	Total
2021	\$ 65,000	\$ 65,379	\$ 130,379
2022	70,000	58,400	128,400
2023	70,000	56,300	126,300
2024	75,000	54,200	129,200
2025	85,000	51,200	136,200
2026	85,000	48,650	133,650
2027	90,000	46,100	136,100
2028	95,000	44,300	139,300
2029	95,000	42,400	137,400
2030	105,000	40,500	145,500
2031	105,000	38,400	143,400
2032	110,000	36,300	146,300
2033	115,000	34,100	149,100
2034	120,000	31,800	151,800
2035	500,000	29,400	529,400
2036	490,000	19,400	509,400
2037	480,000	9,600	489,600
Totals	\$ 2,755,000	\$ 706,429	\$ 3,461,429

**Fort Bend County Municipal Utility District No. 123**  
**Schedule of Long-term Debt Service Requirements by Years (Continued)**  
**September 30, 2020**

Due During Fiscal Years Ending September 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,235,000	\$ 1,006,665	\$ 2,241,665
2022	1,265,000	968,222	2,233,222
2023	1,305,000	929,461	2,234,461
2024	1,345,000	892,298	2,237,298
2025	1,385,000	847,936	2,232,936
2026	1,425,000	802,635	2,227,635
2027	1,465,000	755,136	2,220,136
2028	1,520,000	706,484	2,226,484
2029	1,560,000	655,535	2,215,535
2030	1,610,000	601,609	2,211,609
2031	1,655,000	546,086	2,201,086
2032	1,710,000	487,496	2,197,496
2033	1,760,000	435,553	2,195,553
2034	1,820,000	381,945	2,201,945
2035	1,870,000	316,600	2,186,600
2036	1,855,000	256,505	2,111,505
2037	1,850,000	193,155	2,043,155
2038	1,420,000	128,350	1,548,350
2039	1,420,000	70,835	1,490,835
2040	370,000	13,135	383,135
Totals	<u>\$ 29,845,000</u>	<u>\$ 10,995,641</u>	<u>\$ 40,840,641</u>

**Fort Bend County Municipal Utility District No. 123**  
**Changes in Long-term Bonded Debt**  
**Year Ended September 30, 2020**

	<b>Bond</b>			
	<b>Series 2012</b>	<b>Series 2013</b>	<b>Series 2014</b>	<b>Series 2015</b>
Interest rates	3.50%	4.625% to 4.750%	2.00% to 3.50%	2.00% to 4.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates		September 1, 2021/2039	September 1, 2021/2039	September 1, 2021/2039
Bonds outstanding, beginning of current year	\$ 2,710,000	\$ 3,650,000	\$ 4,570,000	\$ 1,600,000
Bonds sold during current year	-	-	-	-
Bonds refunded during current year	2,660,000	-	-	-
Retirements, principal	50,000	50,000	130,000	75,000
Bonds outstanding, end of current year	<u>\$ 0</u>	<u>\$ 3,600,000</u>	<u>\$ 4,440,000</u>	<u>\$ 1,525,000</u>
Interest paid during current year	<u>\$ 51,425</u>	<u>\$ 172,500</u>	<u>\$ 143,888</u>	<u>\$ 54,438</u>

Paying agent's name and address:

<b>Series 2012</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2013</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2014</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2015</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2016</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2017</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2019</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2019A</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
<b>Series 2020</b>	- The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	<b>Tax Bonds</b>	<b>Other Bonds</b>	<b>Refunding Bonds</b>
Amount authorized by voters	\$ 55,000,000	0	\$ 35,000,000
Amount of authorization issued	\$ 37,395,000	0	\$ 768,397
Remaining authorization to be issued	\$ 17,605,000	0	\$ 34,231,603
Debt service fund cash and temporary investment balances as of September 30, 2020:			\$ 1,650,852
Average annual debt service payment (principal and interest) for remaining term of all debt:			\$ 2,042,032



**Issues**

<b>Refunding Series 2016</b>	<b>Refunding Series 2017</b>	<b>Series 2019</b>	<b>Refunding Series 2019A</b>	<b>Refunding Series 2020</b>	<b>Total</b>
3.00% to 4.00%	2.000% to 3.125%	3.00% to 3.55%	3.00% to 3.50%	2.00% to 4.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1	
September 1, 2021/2034	September 1, 2021/2035	September 1, 2021/2040	September 1, 2021/2036	September 1, 2021/2037	
\$ 9,105,000	\$ 4,470,000	\$ 2,410,000	\$ 2,425,000	\$ -	\$ 30,940,000
-	-	-	-	2,755,000	2,755,000
-	-	-	-	-	2,660,000
190,000	440,000	50,000	205,000	-	1,190,000
<u>\$ 8,915,000</u>	<u>\$ 4,030,000</u>	<u>\$ 2,360,000</u>	<u>\$ 2,220,000</u>	<u>\$ 2,755,000</u>	<u>\$ 29,845,000</u>
<u>\$ 331,900</u>	<u>\$ 112,688</u>	<u>\$ 80,485</u>	<u>\$ 86,713</u>	<u>\$ 0</u>	<u>\$ 1,034,037</u>

**Fort Bend County Municipal Utility District No. 123**  
**Comparative Schedule of Revenues and Expenditures – General Fund**  
**Five Years Ended September 30,**

	Amounts				
	2020	2019	2018	2017	2016
<b>General Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 1,410,159	\$ 1,349,529	\$ 1,369,804	\$ 1,392,156	\$ 1,077,127
Water service	470,146	458,124	472,878	466,663	485,815
Sewer service	632,732	604,473	620,687	630,269	633,857
Regional water fee	554,332	476,746	470,344	434,466	411,725
Penalty and interest	20,440	27,493	28,925	29,814	37,745
Tap connection and inspection fees	940	720	685	420	481
Investment income	56,628	133,236	73,586	21,060	6,558
Other income	5,657	849	911	540	810
Total revenues	<u>3,151,034</u>	<u>3,051,170</u>	<u>3,037,820</u>	<u>2,975,388</u>	<u>2,654,118</u>
<b>Expenditures</b>					
Service operations:					
Purchased services	990,564	907,729	937,499	883,351	709,105
Professional fees	134,191	145,785	119,987	129,055	99,109
Contracted services	446,030	423,298	399,127	380,192	395,687
Utilities	12,771	10,617	12,570	10,407	8,643
Repairs and maintenance	201,518	238,894	237,750	209,054	116,106
Other expenditures	63,544	54,099	56,308	54,765	54,347
Tap connections	-	-	17,742	-	-
Capital outlay	1,358,194	1,853,465	267,804	811,658	91,120
Debt service, debt issuance costs	-	15,667	15,793	17,920	-
Total expenditures	<u>3,206,812</u>	<u>3,649,554</u>	<u>2,064,580</u>	<u>2,496,402</u>	<u>1,474,117</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(55,778)	(598,384)	973,240	478,986	1,180,001
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in (out)	(7,800)	709,251	-	-	-
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>	(63,578)	110,867	973,240	478,986	1,180,001
<b>Fund Balance, Beginning of Year</b>	<u>6,194,284</u>	<u>6,083,417</u>	<u>5,110,177</u>	<u>4,631,191</u>	<u>3,451,190</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,130,706</u>	<u>\$ 6,194,284</u>	<u>\$ 6,083,417</u>	<u>\$ 5,110,177</u>	<u>\$ 4,631,191</u>
<b>Total Active Retail Water Connections</b>	<u>1,396</u>	<u>1,395</u>	<u>1,392</u>	<u>1,391</u>	<u>1,393</u>
<b>Total Active Retail Wastewater Connections</b>	<u>1,380</u>	<u>1,379</u>	<u>1,376</u>	<u>1,374</u>	<u>1,377</u>

**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
44.7 %	44.2 %	45.1 %	46.8 %	40.6 %
14.9	15.0	15.6	15.7	18.3
20.1	19.8	20.4	21.2	23.9
17.6	15.6	15.5	14.6	15.5
0.7	0.9	1.0	1.0	1.4
0.0	0.0	0.0	0.0	0.0
1.8	4.4	2.4	0.7	0.3
0.2	0.1	0.0	0.0	0.0
100.0	100.0	100.0	100.0	100.0
31.4	29.7	30.9	29.7	26.7
4.3	4.8	4.0	4.3	3.7
14.2	13.9	13.1	12.8	14.9
0.4	0.3	0.4	0.4	0.3
6.4	7.8	7.8	7.0	4.4
2.0	1.8	1.9	1.8	2.1
-	-	0.6	-	-
43.1	60.8	8.8	27.3	3.4
-	0.5	0.5	0.6	-
101.8	119.6	68.0	83.9	55.5
(1.8) %	(19.6) %	32.0 %	16.1 %	44.5 %

**Fort Bend County Municipal Utility District No. 123**  
**Comparative Schedule of Revenues and Expenditures – Debt Service Fund**  
**Five Years Ended September 30,**

	Amounts				
	2020	2019	2018	2017	2016
<b>Debt Service Fund</b>					
<b>Revenues</b>					
Property taxes	\$ 2,260,407	\$ 2,293,922	\$ 2,270,039	\$ 2,272,308	\$ 2,309,977
Penalty and interest	15,808	22,247	16,689	14,798	13,717
Investment income	14,542	45,428	29,287	5,666	4,625
Total revenues	<u>2,290,757</u>	<u>2,361,597</u>	<u>2,316,015</u>	<u>2,292,772</u>	<u>2,328,319</u>
<b>Expenditures</b>					
Current:					
Professional fees	3,157	7,227	4,800	1,957	2,982
Contracted services	51,685	49,484	48,139	46,265	43,738
Other expenditures	29,890	5,990	14,064	8,199	6,686
Debt service:					
Principal retirement	1,190,000	1,090,000	1,050,000	950,000	930,000
Interest and fees	1,038,433	1,051,085	1,111,665	1,137,923	1,300,149
Debt issuance costs	132,883	119,538	1,500	185,256	329,872
Debt defeasance	43,000	41,000	-	117,000	-
Total expenditures	<u>2,489,048</u>	<u>2,364,324</u>	<u>2,230,168</u>	<u>2,446,600</u>	<u>2,613,427</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(198,291)</u>	<u>(2,727)</u>	<u>85,847</u>	<u>(153,828)</u>	<u>(285,108)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers out	-	(10,399)	-	-	-
General obligation bonds issued	2,755,000	2,425,000	-	4,600,000	9,255,000
Deposit with escrow agent	(2,665,963)	(2,342,194)	-	(4,385,317)	(9,594,354)
Premium on debt issued	50,785	47,131	-	-	673,635
Discount on debt issued	-	-	-	(27,118)	-
Total other financing sources	<u>139,822</u>	<u>119,538</u>	<u>0</u>	<u>187,565</u>	<u>334,281</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(58,469)</u>	<u>116,811</u>	<u>85,847</u>	<u>33,737</u>	<u>49,173</u>
<b>Fund Balance, Beginning of Year</b>	<u>1,706,795</u>	<u>1,589,984</u>	<u>1,504,137</u>	<u>1,470,400</u>	<u>1,421,227</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,648,326</u>	<u>\$ 1,706,795</u>	<u>\$ 1,589,984</u>	<u>\$ 1,504,137</u>	<u>\$ 1,470,400</u>

**Percent of Fund Total Revenues**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
98.7 %	97.1 %	98.0 %	99.1 %	99.2 %
0.7	1.0	0.7	0.7	0.6
0.6	1.9	1.3	0.2	0.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.1	0.3	0.2	0.1	0.1
2.3	2.1	2.1	2.0	1.9
1.3	0.2	0.6	0.4	0.3
52.0	46.2	45.3	41.4	39.9
45.3	44.5	48.0	49.6	55.8
5.8	5.1	0.1	8.1	14.2
1.9	1.7	-	5.1	-
<u>108.7</u>	<u>100.1</u>	<u>96.3</u>	<u>106.7</u>	<u>112.2</u>
<u>(8.7) %</u>	<u>(0.1) %</u>	<u>3.7 %</u>	<u>(6.7) %</u>	<u>(12.2) %</u>

**Fort Bend County Municipal Utility District No. 123**  
**Board Members, Key Personnel and Consultants**  
**Year Ended September 30, 2020**

Complete District mailing address:	Fort Bend County Municipal Utility District No. 123 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 29, 2020	_____
Limit on fees of office that a director may receive during a fiscal year:	\$	7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Larry Perkins	Elected 05/18- 05/22	\$ 0	\$ 139	President
Jeffrey Joseph	Elected 05/18- 05/22	2,550	1,130	Vice President
Joseph Caballero	Elected 05/20- 05/24	1,800	116	Secretary
Dustin Nelson	Elected 05/20- 05/24	2,400	1,252	Assistant Vice President
Mirna Bonilla-Odums	Elected 05/20- 05/24	2,700	290	Assistant Secretary

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

**Fort Bend County Municipal Utility District No. 123**  
**Board Members, Key Personnel and Consultants (Continued)**  
**Year Ended September 30, 2020**

<b>Consultants</b>	<b>Date Hired</b>	<b>Fees and Expense Reimbursements</b>	<b>Title</b>
Allen Boone Humphries Robinson LLP	01/21/04	\$ 145,224	Attorney
BKD, LLP	08/17/05	19,600	Auditor
Fort Bend Central Appraisal District	Legislative Action	28,520	Appraiser
LJA Engineering & Surveying, Inc.	11/19/03	137,965	Engineer
Masterson Advisors, LLC	06/20/18	26,690	Financial Advisor
Municipal District Services, L.L.C.	05/01/12	180,927	Operator
Myrtle Cruz, Inc.	01/24/01	20,111	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/18/07	3,157	Delinquent Tax Attorney
Tax Tech, Incorporated	01/24/01	27,802	Tax Assessor/ Collector
<b>Investment Officer</b>			
Mary Jarmon	01/24/01	N/A	Bookkeeper