

OFFICIAL STATEMENT DATED APRIL 13, 2020

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

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

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA"
 Moody's "A2"
 Underlying Rating: Moody's "Baa1"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$1,990,000

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
 (A political subdivision of the State of Texas located within Fort Bend County)
 UNLIMITED TAX REFUNDING BONDS
 SERIES 2020A**

The bonds described above (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 165 (the "District") and are not obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District.

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

Dated Date: May 1, 2020

Due: September 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from May 1, 2020, and is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



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

MATURITY SCHEDULE

Principal	Maturity	CUSIP	Interest	Initial Reoffering	Principal	Maturity	CUSIP	Interest	Initial Reoffering
<u>Amount</u>	<u>(September 1)</u>	<u>Number(b)</u>	<u>Rate</u>	<u>Yield(a)</u>	<u>Amount</u>	<u>(September 1)</u>	<u>Number(b)</u>	<u>Rate</u>	<u>Yield(a)</u>
\$ 10,000	2021	34682W MH3	3.00 %	1.53 %	\$ 95,000	2024	34682W ML4	3.00 %	1.70 %
10,000	2022	34682W MJ9	3.00	1.54	100,000	2025	34682W MM2	3.00	1.82
10,000	2023	34682W MK6	3.00	1.60					

\$205,000 Term Bonds due September 1, 2027 (c), 34682W MP5 (b), 2.00% Interest Rate, 2.00% Yield (a)
 \$230,000 Term Bonds due September 1, 2029 (c), 34682W MR1 (b), 2.00% Interest Rate, 2.15% Yield (a)
 \$380,000 Term Bonds due September 1, 2032 (c), 34682W MT7 (b), 2.25% Interest Rate, 2.60% Yield (a)
 \$285,000 Term Bonds due September 1, 2034 (c), 34682W MU4 (b), 3.00% Interest Rate, 2.65% Yield (a)
 \$320,000 Term Bonds due September 1, 2036 (c), 34682W MV2 (b), 3.00% Interest Rate, 2.75% Yield (a)
 \$345,000 Term Bonds due September 1, 2038 (c), 34682W MW0 (b), 3.00% Interest Rate, 2.84% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from May 1, 2020, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2027, 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, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about May 20, 2020.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, 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, 77027-7528 upon payment of the costs of duplication therefor.

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

The Underwriter

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$1,974,097.68 (representing the par amount of the Bonds of \$1,990,000, plus a net premium on the Bonds of \$8,584.10, less an Underwriter’s discount of \$24,486.42) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

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 Underwriter 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 Underwriter 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.

OFFICIAL STATEMENT SUMMARY

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

HURRICANE HARVEY

General...

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

Impact on the District...

According to the Municipal District Services, LLC (the “Operator”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Operator, the District was not notified that any homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

INFECTIOUS DISEASE OUTLOOK (COVID-19)

General...

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

Impact...

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

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

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID-19)."

THE DISTRICT

<i>Description...</i>	The District is a political subdivision of the State of Texas, created by order of the Texas Commission on Environmental Quality ("TCEQ"), on July 28, 2005, and operates pursuant to Chapters 49 and 54 of the Texas Water Code. The District contains approximately 385 acres of land. See "THE DISTRICT."
<i>Location...</i>	The District is located approximately 25 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston. The District is within the boundaries of Fort Bend Independent School District. The District is located north of the intersection of West Bellfort Street and Mason Road, approximately one-half mile northeast of the Grand Parkway (Texas State Highway 99). See "THE DISTRICT."
<i>Status of Development...</i>	The District has been developed as Fieldstone where utilities and paving are complete for 1,445 single-family residential lots on approximately 375 acres. As of March 12, 2020, 1,413 homes were constructed (1,408 occupied), 27 homes were in various stages of construction or in a homebuilder's name and 5 vacant developed lots were available for home construction. Approximately 10 acres in the District are not developable (rights-of-way, detention, open spaces, easements and utility sites). See "THE DISTRICT."
<i>Builders...</i>	Homebuilders conducting active building programs within the District include K. Hovnanian Homes and Meritage Homes. New homes are being marketed at prices ranging from approximately \$240,000 to over \$415,000. See "THE DISTRICT—Status of Development."
<i>Payment Record...</i>	The District has previously sold \$35,870,000 principal amount of unlimited tax bonds for water, wastewater and/or storm drainage facilities in nine series, \$6,815,000 principal amount of unlimited tax refunding bonds in two series, and \$2,865,000 principal amount of unlimited tax park bonds in one series, \$32,790,000 of which is currently outstanding (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

<i>Description...</i>	The \$1,990,000 Unlimited Tax Refunding Bonds, Series 2020A (the "Bonds") are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in each of the years 2021 through 2025, both inclusive, and as term bonds on September 1 in each of the years 2027, 2029, 2032, 2034, 2036 and 2038 (the "Term Bonds") in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from May 1, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See "THE BONDS."
<i>Book-Entry-Only System...</i>	The Depository Trust Company (defined as "DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

<i>Redemption...</i>	Bonds maturing on or after September 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with available debt service funds will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$1,875,000 of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$30,915,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING—Refunded Bonds” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
<i>Authority for Issuance...</i>	The Bonds are the third series of bonds issued out of an aggregate of \$22,000,000 principal amount of unlimited tax refunding bonds authorized by the District’s voters for the purpose of refunding outstanding bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District, City of Houston Ordinance No. 97-416 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,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, the City of Houston, or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service (Moody’s) will assign municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Qualified Tax-Exempt Obligations...</i>	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Underwriter’s Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”
<i>Paying Agent for the Refunded Bonds...</i>	Wells Fargo Bank, N.A., Minneapolis, Minnesota. See “PLAN OF FINANCING—Defeasance of Refunded Bonds.”

Verification Agent...

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

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$354,045,888	(a)
Estimated Taxable Assessed Valuation as of November 15, 2019.....	\$371,220,598	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$32,905,000	(c)
Estimated Overlapping Debt	13,829,952	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$46,734,952	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation	9.29%	
Estimated Taxable Assessed Valuation as of November 15, 2019	8.86%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	13.20%	
Estimated Taxable Assessed Valuation as of November 15, 2019	12.59%	
Debt Service Fund Balance as of March 12, 2020	\$3,102,507	(e)
Operating Funds Available as of March 12, 2020	\$5,073,105	
Capital Projects Funds Available as of March 12, 2020	\$1,004,638	
2019 Debt Service Tax Rate.....	\$0.735	
2019 Maintenance Tax Rate.....	0.450	
2019 Total Tax Rate.....	\$1.185	
Average Annual Debt Service Requirement (2021-2040) of the Bonds and the Outstanding Bonds	\$2,093,399	(f)
Maximum Annual Debt Service Requirement (2021) of the Bonds and the Outstanding Bonds	\$2,578,444	(f)
Tax Rate Required to Pay Average Requirement (2021-2040) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	\$0.63	(g)
Based upon Estimated Taxable Assessed Valuation as of November 15, 2019.....	\$0.60	(g)
Tax Rate Required to Pay Maximum Requirement (2021) at a 95% Collection Rate Based upon 2019 Certified Taxable Assessed Valuation	\$0.77	(g)
Based upon Estimated Taxable Assessed Valuation as of November 15, 2019.....	\$0.74	(g)
Status of Development as of March 12, 2020 (h):		
Total Developed Lots	1,445	
Homes Completed (1,408 Occupied Homes)	1,413	
Homes Under Construction or in a Builder's Name	27	
Lots Available for Home Construction	5	
Estimated Population	4,928	(i)

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on November 15, 2019. Increases in value that occur between January 1, 2019, and November 15, 2019, will be assessed for purposes of taxation on January 1, 2020. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds and refunding of the Refunded Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The District will apply \$21,000 from the District's Debt Service Fund to be contributed to the refunding. Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.
- (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) See "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Land Use—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$1,990,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
(A political subdivision of the State of Texas located within Fort Bend County)

UNLIMITED TAX REFUNDING BONDS
SERIES 2020A

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Fort Bend County Municipal Utility District No. 165 (the “District”) of its \$1,990,000 Unlimited Tax Refunding Bonds, Series 2020A (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, City of Houston Ordinance 97-416, an election held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

PLAN OF FINANCING

Purpose

At a bond election held within the District on November 8, 2005, voters of the District authorized the issuance of \$22,000,000 principal amount of unlimited tax refunding bonds for the purpose refunding outstanding bonds. The District currently has \$32,790,000 principal amount of bonds outstanding (the “Outstanding Bonds”).

The proceeds of the Bonds and lawfully available debt service funds will be used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2012 totaling \$1,875,000 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$30,915,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

Refunded Bonds

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

<u>Maturity Date</u>	<u>Series 2012</u>
2024	\$ 80,000
2025	85,000
2026	90,000
2027	95,000
2028	100,000
2029	110,000
2030	115,000
2031	120,000
2032	130,000
2033	135,000
2034	145,000
2035	155,000
2036	165,000
2037	170,000
2038	<u>180,000</u>
	\$ 1,875,000
Redemption Date:	May 26, 2020

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of the Bonds	\$1,990,000.00
Plus: Net Premium on the Bonds	8,584.10
Plus: Transfer from Debt Service Fund	<u>21,000.00</u>
Total Sources of Funds.....	<u>\$2,019,584.10</u>
Uses of Funds:	
Cash Deposit to Paying Agent for Refunded Bonds.....	\$1,891,012.77
Issuance Expenses and Underwriters' Discount (a).....	<u>128,571.33</u>
Total Uses of Funds	<u>\$2,019,584.10</u>

(a) Includes municipal bond insurance premium.

Defeasance of Refunded Bonds

The Refunded Bonds and the interest due thereon, are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent for the Refunded Bonds. The Bond Resolution provides that from the proceeds of the sale of the Bonds, along with lawfully available debt service funds, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the "Payment Account"). At the time of delivery of the Bonds, Public Finance Partners, LLC, will verify to the District, the Paying Agent for the Refunded Bonds, Bond Counsel, and the Financial Advisor that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS." By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited in the Payment Account, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

THE BONDS

Description

The Bonds will be dated and accrue interest from May 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., 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. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source of Payment

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

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates 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

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2027, 2029, 2032, 2034, 2036 and 2038 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$205,000 Term Bonds		\$230,000 Term Bonds		\$380,000 Term Bonds	
Due September 1, 2027		Due September 1, 2029		Due September 1, 2032	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2026	\$ 100,000	2028	\$ 110,000	2030	\$ 120,000
2027 (maturity)	105,000	2029 (maturity)	120,000	2031	125,000
				2032 (maturity)	135,000

\$285,000 Term Bonds		\$320,000 Term Bonds		\$345,000 Term Bonds	
Due September 1, 2034		Due September 1, 2036		Due September 1, 2038	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2033	\$ 140,000	2035	\$ 155,000	2037	\$ 170,000
2034 (maturity)	145,000	2036 (maturity)	165,000	2038 (maturity)	175,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2026, or 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 of Bonds to be redeemed shall be selected by the District. If less 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 less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption.

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

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of \$22,000,000 principal amount of unlimited tax bonds for the purpose of refunding outstanding debt. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, an election held within the District, City of Houston Ordinance 97-416, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration 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.

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$60,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing the District's water, wastewater and/or storm drainage facilities and \$22,000,000 principal amount of unlimited tax bonds for refunding such bonds and could authorize additional amounts. After issuance of the Bonds, the District will have \$20,970,000 principal amount of unlimited tax bonds for refunding outstanding bonds, which remains authorized but unissued and \$24,130,000 principal amount of unlimited tax bonds for water, wastewater and/or storm drainage facilities, which remains authorized but unissued. 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 "INVESTMENT CONSIDERATIONS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District issues park bonds payable from taxes, the following actions are required: (a) approval of the park plan and bonds by the TCEQ; and (b) approval of the bonds by the City and Attorney General of Texas. The outstanding principal amount of park bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. At an election held in the District on November 8, 2005, voters approved \$5,000,000 principal amount of unlimited tax park bonds the purpose of purchasing or constructing parks and recreational facilities and has \$2,135,000 principal amount of unlimited tax bonds for parks and recreational facilities authorized but unissued.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The District has prepared a detailed fire plan which has been approved by the TCEQ. The fire plan does not call for the issuance of bonds but for a mandatory fee and monetary contribution to the City of Richmond, Texas. The Board held a successful election to approve the fire plan and Fire Protection Services Agreement on November 6, 2007. Fire protection is currently provided to property in the District by the City of Richmond, Texas Fire Station No. 3 located one-half mile south of the District. The Agreement with the City of Richmond requires residents of the District to pay a mandatory fire fee. The Agreement will remain in effect until 2021 and shall renew automatically for one year terms until the District is annexed and dissolved by the City of Houston.

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

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. The District expects to issue additional bonds in order to reimburse the Developer for the cost of water, wastewater and storm drainage facilities, and parks and recreational facilities constructed within the District. Issuance of additional bonds could dilute the investment security of the Bonds.

Annexation by the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

If the District is annexed, the City of Houston will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and therefore, the District makes no representation that the City of Houston will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which the services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District were annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District. Although the City has negotiated and entered into such an agreement with other districts in its extraterritorial jurisdiction, none is currently contemplated with respect to the District, although no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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+” by 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.

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

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, 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 securities 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, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, 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. 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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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 thereof.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ dated July 28, 2005, after a hearing on a petition for creation submitted by the Developer. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

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

Description and Location

The District contains approximately 385 acres of land. The District is located approximately 25 miles southwest of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston. The District is within the boundaries of the Fort Bend Independent School District. The District is located north of the intersection of West Bellfort Street and Mason Road, approximately one-half mile northeast of the Grand Parkway (Texas State Highway 99).

Land Use

The District includes approximately 375 developed acres of single-family residential development (1,445) and approximately 10 undevelopable acres (rights-of-way, detention, open spaces, easements and utility sites). The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i>Field Stone:</i>		
Section One	37	123
Section Two.....	37	150
Section Three (a).....	43	100
Section Four.....	37	148
Section Five.....	31	133
Section Six.....	30	144
Section Seven	16	58
Section Eight	18	103
Section Nine.....	3	-
Section Ten.....	24	94
Section Eleven.....	28	85
Section Twelve.....	29	118
Section Thirteen.....	10	38
Section Fourteen	12	62
Section Fifteen	20	89
Subtotal.....	375	1,445
<i>Non-Developable (b)</i>	<u>10</u>	<u>---</u>
Totals	385	1,445

- (a) Includes a recreation facility developed on approximately 6 acres within the District.
 (b) Includes public rights-of-way, detention, open spaces, easements and utility sites.

Status of Development

The District has been developed as Fieldstone, where utilities and paving are complete for 1,445 single-family residential lots on approximately 375 acres. As of March 12, 2020, 1,413 homes were constructed (1,408 occupied), 27 homes were in various stages of construction or in a homebuilder’s name and 5 vacant developed lots were available for home construction. Homes within the District range in price from approximately \$240,000 to over \$415,000. The estimated population in the District (based upon 3.5 persons per occupied single-family residence) is 4,928. See “Land Use” above.

Builders: Homebuilders conducting active building programs within the District include K. Hovnanian Homes and Meritage Homes. New homes are being marketed at prices ranging from approximately \$240,000 to over \$415,000.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
William "Mac" McKinnie IV	President	May 2024
Greg C. Clutter	Vice President	May 2022
Matt Moake	Secretary	May 2024
Rick Garcia	Assistant Secretary	May 2022
Robert S. Hulbert	Assistant Vice President	May 2024

District Consultants

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

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

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's audited financial statements for the fiscal year ending June 30, 2019 have been prepared by McCall Gibson Swedlund Barfoot, PLLC. See "APPENDIX A" for a copy of the District's June 30, 2019 audited financial statements.

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

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

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

Bookkeeper: The District has contracted with Municipal Accounts & Consulting, L.P. (the "Bookkeeper") for bookkeeping services.

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

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Fort Bend County Drainage District. Fort Bend County, Fort Bend County Levee Improvement District No. 12 ("LID 12"), the City of Houston, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

The District is a participant in the regional water supply system serving four districts (the "Grand Mission Regional Water Supply System") and operated by Grand Mission Municipal Utility District No. 1 ("Grand Mission MUD 1") pursuant to an agreement among the participating districts. The Grand Mission Regional Water Supply System is owned by the District, Grand Mission MUD 1, Grand Mission Municipal Utility District No. 2 ("Grand Mission MUD 2") and Fort Bend County Municipal Utility District No. 143 ("MUD 143"). The Grand Mission Regional Water Supply System (Water Plant No. 1, Water Plant No. 2 and Water Plant No. 3) currently consists of two (2) 1,500 gallons per minute ("gpm") water wells, 3,025,000 gallons of ground storage tank capacity, 13,500 gpm of booster pump capacity, 140,000 gallons of pressure tank capacity and related appurtenances. Additionally, Grand Mission MUD 1 has an agreement in place with the North Fort Bend Water Authority (the "Authority") for surface water supply to the system. Per the agreement, the Authority is to supply the Grand Mission Regional Water Supply System with at least 900,000 gallons of surface water per day. Currently, a majority of the water used by the Grand Mission Water Supply System is surface water and the groundwater wells are used to mitigate the peak usage demands. The Grand Mission Regional Water Supply System has the capacity to serve 7,436 equivalent single-family connections, of which 1,428 are allocated to the District. The District is participating in the Grand Mission Water Plant No. 3 expansion project. Upon completion, Water Plant No. 3 expansion will provide approximately 695 equivalent single-family connections to the Grand Mission Regional Water Supply System, of which 27 will be allocated to the District. The expansion is currently under construction with an expected completion date of August 2020. There is currently adequate capacity in the water plant system for the District to continue providing service to the 1,413 active connections and 27 connections under construction or in a builder's name.

Subsidence and Conversion to Surface Water Supply

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

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

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP, beginning in the year 2014; and (ii) limit groundwater withdrawals to no more than 40% of the total annual water demand of the water

users within the Authority's GRP, beginning in the year 2025. If the Authority fails to comply with the above Subsidence District regulations, the Authority is subject to a disincentive fee penalty of \$6.50 per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 40% of the total annual water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from participants, including the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the participants in the System.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to continue passing such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District's surface water conversion requirements, or (iii) will comply with its GRP.

Wastewater Treatment

Wastewater treatment capacity for the District is currently provided by a 1,600,000 gallon per day ("gpd") wastewater treatment plant jointly owned and operated by the District, Grand Mission MUD 1, Grand Mission MUD 2 and MUD 143. The District owns an aggregate of 271,120 gpd of wastewater treatment capacity in such plant. The District's capacity will adequately serve 1,043 equivalent single-family connections. As of March 12, 2020, the District was serving 1,440 active connections (including 27 homes under construction or in a builder's name). Based on actual usage, as opposed to design criteria, there is adequate capacity in the wastewater treatment system for the District to continue providing service to existing connections and connections under construction. Construction of an expansion to a 2,110,000 gpd wastewater treatment plant is currently underway and expected to be complete in early 2020. The District is a participant in the expansion and will have 372,973 gpd of capacity upon completion which is capable of serving 1,445 connections. Grand Mission MUD 1 is actively monitoring the hydraulic flow, ammonia loading, and organic loading at the wastewater treatment plant. As of February 2020, the current plant was operating at an average flow of approximately 876,800 gpd or approximately 53.9% of the plant's permitted capacity.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,445 lots and a recreation center in the District.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

According to the District's Engineer, none of the developable acreage within the District is located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map that was approved by FEMA on April 2, 2014. Flood protection for the land within the District's boundaries is provided by LID 12 through a series of channels and ditches. However, due to recent rain events, there is a potential for changes to the mapped floodplain. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

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

PARK AND RECREATIONAL FACILITIES

Park and recreational improvements include a recreation center on approximately 6 acres within the District that have been developed with a water park slide pool, splash pad, and open spaces to serve the development within the District. Recreation areas also include walking paths, various playgrounds and numerous pocket parks.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation	\$354,045,888	(a)
Estimated Taxable Assessed Valuation as of November 15, 2019	\$371,220,598	(b)
Gross Direct Debt Outstanding (the Outstanding Bonds and the Bonds).....	\$32,905,000	(c)
Estimated Overlapping Debt	13,829,952	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$46,734,952	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation	9.29%	
Estimated Taxable Assessed Valuation as of November 15, 2019	8.86%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation	13.20%	
Estimated Taxable Assessed Valuation as of November 15, 2019	12.59%	
Debt Service Fund Balance as of March 12, 2020	\$3,102,507	(e)
Operating Funds Available as of March 12, 2020	\$5,073,105	
Capital Projects Funds Available as of March 12, 2020	\$1,004,638	

- (a) As certified by the Fort Bend Central Appraisal District (the "Appraisal District").
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on November 15, 2019. Increases in value that occur between January 1, 2019, and November 15, 2019, will be assessed for purposes of taxation on January 1, 2020. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After the issuance of the Bonds and refunding of the Refunded Bonds. See "Outstanding Bonds" herein.
- (d) See "Estimated Overlapping Debt" in this section.
- (e) The District will apply \$21,000 from the District's Debt Service Fund to be contributed to the refunding. Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2008	\$ 5,250,000	\$ -	\$ -	\$ -
2011	2,135,000	-	-	-
2012	2,500,000	2,155,000	1,875,000	280,000
2013	4,655,000	3,545,000	-	3,545,000
2014	5,800,000	4,630,000	-	4,630,000
2015 (a)	4,940,000	4,245,000	-	4,245,000
2015A	4,750,000	4,000,000	-	4,000,000
2016	7,830,000	6,845,000	-	6,845,000
2017A (b)	2,865,000	2,665,000	-	2,665,000
2017	1,495,000	1,375,000	-	1,375,000
2019 (a)	1,875,000	1,875,000	-	1,875,000
2020	1,455,000	1,455,000	-	1,455,000
Total	\$ 45,550,000	\$ 32,790,000	\$ 1,875,000	\$ 30,915,000
The Bonds				1,990,000
The Bonds and Remaining Outstanding Bonds				\$ 32,905,000

- (a) Unlimited tax refunding bonds.
- (b) Unlimited tax park bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$1,875,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service	(a)	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service
				Principal	Interest	Total	
2020	\$ 2,062,318.75		\$ 33,909.38	\$ -	\$ 17,500.00	\$ 17,500.00	\$ 2,045,909.38
2021	2,583,762.50		67,818.75	10,000	52,500.00	62,500.00	2,578,443.75
2022	2,549,862.50		67,818.75	10,000	52,200.00	62,200.00	2,544,243.75
2023	2,520,662.50		67,818.75	10,000	51,900.00	61,900.00	2,514,743.75
2024	2,484,750.00		147,818.75	95,000	51,600.00	146,600.00	2,483,531.25
2025	2,453,937.50		150,218.75	100,000	48,750.00	148,750.00	2,452,468.75
2026	2,422,762.50		152,456.25	100,000	45,750.00	145,750.00	2,416,056.25
2027	2,385,293.75		154,531.25	105,000	43,750.00	148,750.00	2,379,512.50
2028	2,350,881.25		156,206.25	110,000	41,650.00	151,650.00	2,346,325.00
2029	2,325,443.75		162,706.25	120,000	39,450.00	159,450.00	2,322,187.50
2030	2,287,287.50		163,856.25	120,000	37,050.00	157,050.00	2,280,481.25
2031	2,247,506.25		164,687.50	125,000	34,350.00	159,350.00	2,242,168.75
2032	2,210,637.50		170,337.50	135,000	31,537.50	166,537.50	2,206,837.50
2033	2,186,650.00		170,625.00	140,000	28,500.00	168,500.00	2,184,525.00
2034	1,939,518.75		175,562.50	145,000	24,300.00	169,300.00	1,933,256.25
2035	1,903,125.00		180,125.00	155,000	19,950.00	174,950.00	1,897,950.00
2036	1,860,875.00		184,312.50	165,000	15,300.00	180,300.00	1,856,862.50
2037	1,662,281.25		183,125.00	170,000	10,350.00	180,350.00	1,659,506.25
2038	1,642,350.00		186,750.00	175,000	5,250.00	180,250.00	1,635,850.00
2039	1,234,968.75		-	-	-	-	1,234,968.75
2040	698,068.75		-	-	-	-	698,068.75
Total	\$ 44,012,943.75		\$ 2,740,684.38	\$ 1,990,000	\$ 651,637.50	\$ 2,641,637.50	\$ 43,913,896.88

(a) Excludes the March 1, 2020 debt service payment in the amount of \$508,506.

Maximum Annual Debt Service Requirement (2021).....	\$2,578,444
Average Annual Debt Service Requirements (2021-2040)	\$2,093,399

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Fort Bend County	\$ 594,872,527	1/31/20	0.50%	\$ 2,974,363
Fort Bend Independent School District	1,092,173,767	1/31/20	0.84%	9,174,260
Fort Bend County LID No. 12.....	11,345,000	1/31/20	14.82%	<u>1,681,329</u>
Total Estimated Overlapping Debt.....				\$ 13,829,952
The District's Total Direct Debt (a)				<u>32,905,000</u>
Total Direct and Estimated Overlapping Debt				\$ 46,734,952

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Certified Taxable Assessed Valuation of \$354,045,888.....	13.20%
Estimated Taxable Assessed Valuation as of November 15, 2019 of \$371,220,598.....	12.59%

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

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

Set forth below are the taxes levied for the 2019 tax year by all entities overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	<u>Tax Rate Per \$100 Taxable Assessed Valuation</u>
Fort Bend County (including Drainage District)	\$0.4600
Fort Bend County LID No. 12 (a)	0.0800
Fort Bend Independent School District	<u>1.27000</u>
Total Overlapping Tax Rate	\$1.8100
The District (b).....	<u>1.1850</u>
Total Tax Rate	\$2.9950

(a) See "INVESTMENT CONSIDERATIONS—Overlapping Debt and Taxes."
 (b) See "TAX DATA—Historical Tax Rate Distribution."

General Operating Fund

The Remaining Outstanding Bonds and the Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenue from operations of the District's system, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds and the Remaining Outstanding Bonds. It is anticipated that no significant operation revenues will be used for debt service on the Bonds or the Remaining Outstanding Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal year ending May 31, 2016. The District changed its fiscal year in 2017 to June 30, effective for the 13-month period ending June 30, 2017 and the following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for said 13-month period and the 12-month periods ending June 30, 2018 and June 30, 2019 and an unaudited summary for the period ending January 31, 2020 as provided by the District's Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	7/1/2019 to 1/31/2020 (a) (Unaudited)	Fiscal Year Ended June 30			Fiscal Year Ended May 31
		2019	2018	2017 (b)	2016
Revenues:					
Property Taxes	\$ 1,553,238	\$ 1,270,374	\$ 1,155,032	\$ 951,771	\$ 805,860
Water and Sewer Service	680,731	986,537	917,918	887,103	700,552
Regional Water Fee	415,699	502,203	476,959	441,318	318,065
Fire Protection	144,983	194,640	168,022	171,551	134,885
Penalty and Interest	27,913	29,812	16,318	32,671	25,505
Tap Connection & Inspection	55,884	117,805	157,473	288,415	204,015
Miscellaneous	86,120	90,691	49,812	27,196	15,470
Total Revenue	\$ 2,964,568	\$ 3,192,062	\$ 2,941,534	\$ 2,800,025	\$ 2,204,352
Expenditures:					
Purchased Services	\$ 576,702	\$ 704,562	\$ 686,873	\$ 698,355	\$ 176,216
Professional Fees	113,923	181,183	162,931	150,247	509,560
Contracted Services	444,659	605,732	583,646	523,124	457,152
Detention Costs	20,028	38,383	36,443	-	20,182
Utilities	16,457	24,145	28,613	26,006	24,916
Repairs and Maintenance	249,110	229,541	167,517	198,408	191,583
Other Expenses	118,590	164,110	179,775	219,521	178,098
Capital Outlay	128,273	321,732	238,191	568,577	276,997
Total Expenditures	\$ 1,667,742	\$ 2,269,388	\$ 2,083,989	\$ 2,384,238	\$ 1,834,704
NET REVENUES	<u>\$ 1,296,826</u>	<u>\$ 922,674</u>	<u>\$ 857,545</u>	<u>\$ 415,787</u>	<u>\$ 369,648</u>
General Operating Fund					
Balance (Beginning of Year)	\$ 3,951,427	\$ 3,028,753	\$ 2,171,208	\$ 1,755,421	\$ 1,385,773
General Operating Fund					
Balance (End of Year)	\$ 5,248,253	\$ 3,951,427	\$ 3,028,753	\$ 2,171,208	\$ 1,755,421

(a) Unaudited. Provided by the Bookkeeper.

(b) 13-month fiscal year due to change in fiscal year end.

TAX DATA

Debt Service Tax

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

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 8, 2005, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

Historical Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service Tax	\$ 0.735	\$0.800	\$0.860	\$0.870	\$0.900
Maintenance Tax	<u>0.450</u>	<u>0.390</u>	<u>0.390</u>	<u>0.380</u>	<u>0.420</u>
Total District Tax Rate	\$ 1.185	\$1.190	\$1.250	\$1.250	\$1.320

Tax Exemptions

For tax year 2020, the District did not exempt any percentage of the market value of any residential homesteads from taxation but has granted a \$20,000 exemption for persons disabled or 65 years of age or older.

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 November 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2016 through 2019 Certified Taxable Assessed Valuations and the Estimated Taxable Assessed Valuation as of November 15, 2019. Taxes are levied on taxable value certified by the Appraisal Districts as of January 1 of each year. Information in this summary may differ slightly from the assessed valuations shown herein due to difference in dates of data

Tax Year	<u>Type of Property</u>			Gross Assessed Valuation	Deferments and Exemptions	Taxable Assessed Valuation
	Land	Improvements	Personal Property			
11/15/2019	\$ 58,216,890	\$ 317,970,760	\$ 1,314,290	\$ 377,501,940	\$ (6,281,342)	\$ 371,220,598
2019	57,610,540	301,460,760	1,314,290	360,385,590	(6,339,702)	354,045,888
2018	53,641,640	277,323,480	1,229,030	332,194,150	(6,275,446)	325,918,704
2017	49,645,370	251,201,830	1,091,250	301,938,450	(6,470,488)	295,467,962
2016	45,266,250	212,029,140	871,490	258,166,880	(7,368,495)	250,798,385

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Taxes are due October 1 or 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. Reference is made to such statements and records for further and complete information. See "Tax Roll Information" below.

	Certified Taxable			Total Collections	
	Assessed	Tax	Total	As of February 29, 2020 (b)	
	Valuation (a)	Rate	Tax Levy	Amount	Percent
2015	\$ 193,212,137	\$ 1.320	\$2,550,400	\$ 2,550,400	100.00%
2016	250,798,385	1.250	3,134,982	3,134,982	100.00%
2017	295,467,962	1.250	3,693,353	3,693,353	100.00%
2018	325,918,704	1.190	3,878,433	3,873,478	99.87%
2019	354,045,888	1.185	4,195,444	4,116,469	98.12%

(a) As certified by the Appraisal District.

(b) Unaudited.

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed value as a percentage of the 2019 Certified Taxable Assessed Valuation of \$354,045,888. This represents ownership as of January 1, 2019. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of November 15, 2019, of \$371,220,598 is not currently available.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
Centerpoint Energy Electric	\$ 1,015,810	0.29%
K Hovnanian of Houston II LLC (a)	690,470	0.20%
Individual	586,040	0.17%
Meritage Homes of Texas LLC (a)	487,330	0.14%
Individual	434,050	0.12%
Individual	432,700	0.12%
Individual	422,170	0.12%
Individual	418,940	0.12%
Individual	416,650	0.12%
Individual	413,520	0.12%
Total	\$ 5,317,680	1.52%

(a) See "THE DISTRICT—Status of Development—Builders."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$354,045,888 or the Estimated Taxable Assessed Valuation as of November 15, 2019 of \$371,220,598. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2040)	\$2,093,399
\$0.63 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$2,118,965
\$0.60 Tax Rate on the Estimated Taxable Assessed Valuation as of November 15, 2019	\$2,115,957
Maximum Annual Debt Service Requirement (2021).....	\$2,578,444
\$0.77 Tax Rate on the 2019 Certified Taxable Assessed Valuation	\$2,589,846
\$0.74 Tax Rate on the Estimated Taxable Assessed Valuation as of November 15, 2019	\$2,609,681

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of November 15, 2019 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead

exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who 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%) 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 Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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.

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described in the preceding section 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. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of an Executive Order GA-08 on March 31, 2020, which, among other things, prohibits social gatherings of more than 10 people through April 30 and orders the closure of schools throughout the state through May 4, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Fort Bend County, within which the District is located, has issued a “shelter in place” order for most citizens except when engaged in specified essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

Hurricane Harvey

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

According to the Municipal District Services, LLC (the “Operator”), the District’s water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the Operator, the District was not notified that any homes within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

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

Specific Flood Type Risks

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

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

Economic Factors and Interest Rates

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

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage funding have a direct impact on the construction activity. In addition, since the District is located approximately 25 miles from the central downtown business district of the City of Houston, the success of home-building 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 the national financial and credit markets. A downturn in the economic conditions of Houston and the nation could adversely affect home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 25 miles from downtown Houston, could be affected by competition from other residential developments including other residential developments located in the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods. Such homes could represent additional competition for new homes proposed to be sold within the District.

Overlapping Debt and Taxes

All of the land within the District is located within Fort Bend County Levee Improvement District No. 12 ("LID 12"), and is subject to taxation by LID 12. LID 12 levied a 2019 tax rate of \$0.08 per \$100 of taxable assessed valuation and has \$11,345,000 principal amount of bonds outstanding. Increases in LID 12's tax rate could have an adverse impact upon development and home sales within LID 12, which includes the District, and the willingness of owners of property located within the District to pay ad valorem taxes levied by LID 12 and the District.

The District intends that the composite of its tax rate and that of LID 12, will not exceed \$1.50 per \$100 of taxable assessed valuation, however, the District cannot control the tax rates of LID 12. There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates of competing projects in the Harris/Fort Bend County region. 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. A composite tax rate of \$1.50 per \$100 of taxable assessed valuation is higher than the tax rate of many municipal utility districts in the Harris/Fort Bend County region, although such a combined rate is within the range set by certain municipal utility districts in the Harris/Fort Bend County region in stages of development comparable with the District.

The current TCEQ rules regarding the feasibility of a bond issue for utility districts in Fort Bend County limit the projected “combined tax rate” attributable to an entity levying a tax for water, wastewater and drainage to \$1.50 per \$100 of taxable assessed valuation. In the case of the District, the total “combined tax rate” under current TCEQ rules includes the tax rate of the District and LID 12. If the total “combined tax rate” attributable to LID 12 and the District should ever exceed \$1.50 per \$100 of taxable assessed valuation, the District and LID 12 could be prohibited under rules of the TCEQ from selling additional bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes.”

Future Debt

After issuance of the Bonds, the District will have \$20,970,000 principal amount of unlimited tax bonds for refunding outstanding bonds, \$24,130,000 principal amount of unlimited tax bonds for purchasing and constructing water, wastewater and/or storm drainage facilities, and \$2,135,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities. The issuance of future debt may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ.

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies and Bankruptcy Limitations

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

to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District (defined herein) has entered into an agreement with ASSURED GUARANTY MUNICIPAL CORP. (“AGM”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P and “A2” (stable outlook) by Moody’s. See “MUNICIPAL BOND INSURANCE.”

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

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

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

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

No-Litigation Certificate

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

TAX MATTERS

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2020.

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the funds deposited with the Paying Agent for the Refunded Bonds, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes; and (c) compliance with the City of Houston Ordinance 97-416.

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

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

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

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At December 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this OFFICIAL STATEMENT and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this OFFICIAL STATEMENT.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this OFFICIAL STATEMENT, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this OFFICIAL STATEMENT or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “MUNICIPAL BOND INSURANCE.”

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a 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.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District’s historical assessed value and principal taxpayers, including particularly such information contained in the section entitled “TAX DATA” has been provided by Bob Leared Interests, and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” 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.

Auditor: The District’s audited financial statement for the fiscal year ending June 30, 2019, was prepared by McCall Gibson Swedlund Barfoot, PLLC, Certified Public Accountants. See APPENDIX A.

Bookkeeper: The information related to the “unaudited” summary of the District’s General Operating Fund as it appears in “THE SYSTEM—Water and Wastewater Operations” has been provided by Municipal Accounts & Consulting, L.P., and is included herein in reliance upon the authority of such firm as an expert in tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED), except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Auditor's Report and Financial Statements of the District and certain supplemental schedules). 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 2020. Any financial statements provided by the District 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial

Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

MISCELLANEOUS

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

/s/ William "Mac" McKinnie IV
President, Board of Directors

ATTEST:

/s/ Matt Moake
Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the year ended June 30, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY
DISTRICT NO. 165**

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**FORT BEND COUNTY MUNICIPAL UTILITY
DISTRICT NO. 165**

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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McCALL GIBSON SWEDLUND BARFOOT PLLC
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend County Municipal
Utility District No. 165
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. 165 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these 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 District'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 June 30, 2019, and the respective changes in financial position for the year 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 10, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Management’s discussion and analysis of Fort Bend County Municipal Utility District No. 165’s (the “District”) financial performance provides an overview of the District’s financial activities for the year ended June 30, 2019. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain Required Supplementary Information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$1,903,390 as of June 30, 2019. A portion of the District's net position reflects its net investment in capital assets (land as well as the water, wastewater, drainage and recreational facilities less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of the changes in the Statement of Net Position as of June 30, 2019, and June 30, 2018.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 8,541,256	\$ 8,630,140	\$ (88,884)
Capital Assets (Net of Accumulated Depreciation)	<u>27,773,108</u>	<u>27,992,119</u>	<u>(219,011)</u>
Total Assets	<u>\$ 36,314,364</u>	<u>\$ 36,622,259</u>	<u>\$ (307,895)</u>
Deferred Outflows of Resources	<u>\$ 609,252</u>	<u>\$ 577,316</u>	<u>\$ 31,936</u>
Due to Developer	\$ 1,701,661	\$ 2,322,956	\$ 621,295
Bonds Payable	32,679,024	33,952,925	1,273,901
Other Liabilities	<u>639,541</u>	<u>782,392</u>	<u>142,851</u>
Total Liabilities	<u>\$ 35,020,226</u>	<u>\$ 37,058,273</u>	<u>\$ 2,038,047</u>
Net Position:			
Net Investment in Capital Assets	\$ (4,811,274)	\$ (5,560,109)	\$ 748,835
Restricted	2,744,015	2,664,455	79,560
Unrestricted	<u>3,970,649</u>	<u>3,036,956</u>	<u>933,693</u>
Total Net Position	<u>\$ 1,903,390</u>	<u>\$ 141,302</u>	<u>\$ 1,762,088</u>

The following table provides a comparative analysis of the District's operations for the year ended June 30, 2019, and June 30, 2018.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,878,361	\$ 3,692,143	\$ 186,218
Charges for Services	1,849,111	1,756,422	92,689
Other Revenues	<u>195,306</u>	<u>105,639</u>	<u>89,667</u>
Total Revenues	<u>\$ 5,922,778</u>	<u>\$ 5,554,204</u>	<u>\$ 368,574</u>
Expenses for Services	<u>4,160,690</u>	<u>4,467,035</u>	<u>306,345</u>
Change in Net Position	\$ 1,762,088	\$ 1,087,169	\$ 674,919
Net Position, Beginning of Year	<u>141,302</u>	<u>(945,867)</u>	<u>1,087,169</u>
Net Position, End of Year	<u>\$ 1,903,390</u>	<u>\$ 141,302</u>	<u>\$ 1,762,088</u>

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of June 30, 2019, were \$8,196,566, an increase of \$5,981 from the prior year.

The General Fund fund balance increased by \$922,674, primarily due to service and property tax revenues exceeding operating and administrative costs as a result of growth in the District.

The Debt Service Fund fund balance increased by \$42,593, primarily due to the structure of the District's outstanding debt and the sale of Series 2019 Refunding bonds.

The Capital Projects Fund fund balance decreased by \$959,286, primarily due to the use of bond proceeds received in a prior year for current capital costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. The budget was amended during the current fiscal year to increase estimated property tax revenues, engineering fees and maintenance and repair costs. Actual revenues were \$141,162 more than budgeted revenues primarily due to higher than anticipated service revenues, property tax revenues and investment revenues. Actual expenditures were \$248,316 less than budgeted expenditures primarily due to lower than anticipated capital costs and joint facilities costs.

LONG-TERM DEBT ACTIVITY

As of June 30, 2019, the District had total bond debt payable of \$32,790,000. The changes in the debt position of the District during the year ended June 30, 2019, are summarized as follows:

Bond Debt Payable, July 1, 2018	\$ 34,095,000
Add: Bond Sale	1,875,000
Less: Bond Principal Paid/Refunded	<u>3,180,000</u>
Bond Debt Payable, June 30, 2019	<u>\$ 32,790,000</u>

The Series 2013, and Series 2016 bonds carry S&P ratings of "AA" by virtue of bond insurance issued by Municipal Assurance Corporation. The Series 2014, Series 2015A, Series 2017, Series 2017A Park, and Series 2019 Refunding bonds carry S&P ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2015 Refunding bonds carry an S&P rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The above ratings reflect rating changes, if any, during the year ended June 30, 2019.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS

Capital assets total \$27,773,108 as of June 30, 2019 and include land as well as the water, wastewater and drainage systems, recreational facilities and the District's capacity interest in the Grand Mission Municipal Utility District No. 1 joint facilities.

Capital Assets, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 3,065,217	\$ 3,065,217	\$
Construction in Progress	1,002,233	563,280	438,953
Capital Assets, Net of Accumulated Depreciation:			
Water System	3,754,418	3,866,287	(111,869)
Wastewater System	6,019,133	6,170,235	(151,102)
Drainage System	11,785,949	12,074,647	(288,698)
Recreational Facilities	2,146,158	2,252,453	(106,295)
Total Net Capital Assets	\$ 27,773,108	\$ 27,992,119	\$ (219,011)

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fort Bend County Municipal Utility District No. 165, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 164,917	\$ 55,160
Investments	3,769,141	3,024,702
Receivables:		
Property Taxes	8,891	18,238
Penalty and Interest on Delinquent Taxes		
Service Accounts	123,940	
Accrued Interest		5,030
Other	4,275	
Due from Other Funds	26,787	2,294
Prepaid Costs	7,260	
Advance for Water Facilities Operations	86,632	
Advance for Wastewater Treatment Facilities Operations	45,312	
Advance for Regional Detention Facilities Operations	25,821	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 4,262,976	\$ 3,105,424
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ -0-	\$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,262,976	\$ 3,105,424

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 100	\$ 220,177	\$	\$ 220,177
1,187,001	7,980,844		7,980,844
	27,129		27,129
		4,505	4,505
	123,940		123,940
	5,030		5,030
	4,275		4,275
	29,081	(29,081)	
	7,260	10,331	17,591
	86,632		86,632
	45,312		45,312
	25,821		25,821
		3,065,217	3,065,217
		1,002,233	1,002,233
		23,705,658	23,705,658
<u>\$ 1,187,101</u>	<u>\$ 8,555,501</u>	<u>\$ 27,758,863</u>	<u>\$ 36,314,364</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 609,252</u>	<u>\$ 609,252</u>
<u>\$ 1,187,101</u>	<u>\$ 8,555,501</u>	<u>\$ 28,368,115</u>	<u>\$ 36,923,616</u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	\$ 184,914	\$
Accrued Interest Payable		
Due to Other Funds	2,294	26,787
Due to Taxpayers		1,727
Security Deposits	115,450	
Accrued Interest at Time of Sale		584
Due to Developer		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 302,658	\$ 29,098
 DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 8,891	\$ 18,238
 FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 7,260	\$
Operating Advances	157,765	
Restricted for Authorized Construction		
Restricted for Debt Service		3,058,088
Unassigned	3,786,402	
TOTAL FUND BALANCES	\$ 3,951,427	\$ 3,058,088
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,262,976	\$ 3,105,424
 NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 50	\$ 184,964	\$	\$ 184,964
	29,081	337,400	337,400
	1,727	(29,081)	1,727
	115,450		115,450
	584	(584)	
		1,701,661	1,701,661
		1,455,000	1,455,000
		31,224,024	31,224,024
<u>\$ 50</u>	<u>\$ 331,806</u>	<u>\$ 34,688,420</u>	<u>\$ 35,020,226</u>
<u>\$ -0-</u>	<u>\$ 27,129</u>	<u>\$ (27,129)</u>	<u>\$ -0-</u>
\$	\$ 7,260	\$ (7,260)	\$
	157,765	(157,765)	
1,187,051	1,187,051	(1,187,051)	
	3,058,088	(3,058,088)	
	3,786,402	(3,786,402)	
<u>\$ 1,187,051</u>	<u>\$ 8,196,566</u>	<u>\$ (8,196,566)</u>	<u>\$ - 0 -</u>
<u>\$ 1,187,101</u>	<u>\$ 8,555,501</u>		
		\$ (4,811,274)	\$ (4,811,274)
		2,744,015	2,744,015
		3,970,649	3,970,649
		<u>\$ 1,903,390</u>	<u>\$ 1,903,390</u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds		\$ 8,196,566
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Deferred charges incurred as part of a refunding bond sale are recorded as a deferred outflow in governmental activities and amortized through the shorter of the life of the old debt or new debt. Prepaid bond insurance premiums are amortized over the term of the bonds</p>		619,583
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		27,773,108
<p>Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 tax levy became part of recognized revenue in the governmental activities of the District.</p>		31,634
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:</p>		
Due to Developer	\$ (1,701,661)	
Accrued Interest Payable	(336,816)	
Bonds Payable	<u>(32,679,024)</u>	<u>(34,717,501)</u>
Total Net Position - Governmental Activities		<u>\$ 1,903,390</u>

The accompanying notes to the financial statements are an integral part of this report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,270,374	\$ 2,607,231
Water Service	598,020	
Wastewater Service	388,517	
Water Authority Fees	502,203	
Fire Protection Fees	194,640	
Penalty and Interest	29,812	17,754
Connection, Inspection and Reconnection Fees	117,805	
Investment and Miscellaneous Revenues	90,691	58,537
TOTAL REVENUES	\$ 3,192,062	\$ 2,683,522
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 181,183	\$ 6,526
Contracted Services	605,732	55,325
Purchased Water Service	539,517	
Purchased Wastewater Service	165,045	
Detention Facilities Costs	38,383	
Utilities	24,145	
Repairs and Maintenance	229,541	
Depreciation		
Other	164,110	3,343
Capital Outlay	321,732	
Developer Interest		
Debt Service:		
Bond Issuance Costs		120,306
Bond Principal		1,445,000
Bond Interest		1,102,030
TOTAL EXPENDITURES/EXPENSES	\$ 2,269,388	\$ 2,732,530
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ 922,674	\$ (49,008)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$ 1,875,000
Payment to Refunding Bond Escrow Agent		(1,770,441)
Bond Discount		(12,958)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -0-	\$ 91,601
NET CHANGE IN FUND BALANCES	\$ 922,674	\$ 42,593
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JULY 1, 2018	3,028,753	3,015,495
FUND BALANCES/NET POSITION - JUNE 30, 2019	\$ 3,951,427	\$ 3,058,088

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,877,605	\$ 756	\$ 3,878,361
	598,020		598,020
	388,517		388,517
	502,203		502,203
	194,640		194,640
	47,566	360	47,926
	117,805		117,805
<u>46,078</u>	<u>195,306</u>		<u>195,306</u>
\$ 46,078	\$ 5,921,662	\$ 1,116	\$ 5,922,778
\$ 16,109	\$ 203,818	\$	\$ 203,818
1,403	662,460		662,460
	539,517		539,517
	165,045		165,045
	38,383		38,383
	24,145		24,145
	229,541		229,541
		869,972	869,972
20	167,473		167,473
950,523	1,272,255	(1,272,255)	
37,309	37,309		37,309
	120,306	(10,372)	109,934
	1,445,000	(1,445,000)	
	<u>1,102,030</u>	<u>11,063</u>	<u>1,113,093</u>
\$ 1,005,364	\$ 6,007,282	\$ (1,846,592)	\$ 4,160,690
\$ (959,286)	\$ (85,620)	\$ 1,847,708	\$ 1,762,088
\$	\$ 1,875,000	\$ (1,875,000)	\$
	(1,770,441)	1,770,441	
	<u>(12,958)</u>	<u>12,958</u>	
\$ -0-	\$ 91,601	\$ (91,601)	\$ -0-
\$ (959,286)	\$ 5,981	\$ (5,981)	\$
		1,762,088	1,762,088
<u>2,146,337</u>	<u>8,190,585</u>	<u>(8,049,283)</u>	<u>141,302</u>
\$ <u>1,187,051</u>	\$ <u>8,196,566</u>	\$ <u>(6,293,176)</u>	\$ <u>1,903,390</u>

The accompanying notes to the financial statements are an integral part of this report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds	\$	5,981
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		756
Governmental funds report penalty and interest revenue on delinquent taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		360
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(869,972)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		1,272,255
Governmental funds report bond discounts as other financing uses in the year paid and bond insurance premiums as expenditures. However, in the Statement of Net Position, the bond discounts and bond insurance premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.		23,330
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,445,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		(11,063)
Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.		(1,875,000)
Governmental funds report the payment to the refunded bond escrow agent as an other financing use. However, the refunding of outstanding bonds decreases long-term liabilities in the Statement of Net Position.		<u>1,770,441</u>
Change in Net Position - Governmental Activities	\$	<u><u>1,762,088</u></u>

The accompanying notes to the financial statements are an integral part of this report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. CREATION OF DISTRICT

Fort Bend County Municipal Utility District No. 165 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective July 28, 2005, 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District has entered into a joint venture with Fort Bend County Municipal Utility District No. 143 (District No. 143), Grand Mission Municipal Utility District No. 1 (District No. 1) and Grand Mission Municipal Utility District No. 2 (District No. 2) for water service through a joint water plant. District No. 1 has oversight over the water plant. Additional disclosure concerning this joint venture is provided in Note 8.

The District has entered into a joint venture with District No. 143, District No. 1 and District No. 2 for wastewater disposal through a joint wastewater treatment plant. District No. 1 has oversight responsibility over the plant. Additional disclosure concerning this joint venture is provided in Note 9.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has entered into a joint venture with District No. 143, District No. 1 and District No. 2 for the construction and operation of joint detention facilities. District No. 1 has oversight responsibility over the facilities. Additional disclosure concerning this joint venture is provided in Note 10.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of June 30, 2019, the Debt Service Fund (Tax Fund) owed the General Fund \$26,787 for maintenance tax collections. The General Fund owed the Debt Service Fund \$2,294 for bond issuance costs.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
Recreational Facilities	10-45

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

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

Accounting 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>
Amount Outstanding – June 30, 2019	\$ 60,000	\$ 2,215,000	\$ 3,730,000	\$ 4,865,000
Interest Rates	3.70%	3.00% - 3.75%	3.00% - 5.00%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2019	September 1, 2019/2038	September 1, 2019/2038	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2019*	September 1, 2019*	September 1, 2021*	September 1, 2022*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2012 term bonds due September 1, 2023, September 1, 2026, September 1, 2029, September 1, 2032, and September 1, 2038 are subjected to mandatory redemption by random selection beginning September 1, 2021, September 1, 2024, September 1, 2027, September 1, 2030, and September 1, 2033, respectively. Series 2013 term bonds due September 1, 2038, are subjected to mandatory redemption by random selection beginning September 1, 2033. Series 2014 term bonds due September 1, 2033, September 1, 2035, September 1, 2037, and September 1, 2039 are subjected to mandatory redemption by random selection beginning September 1, 2032, September 1, 2034, September 1, 2036, and September 1, 2038, respectively.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2015	Series 2015A	Series 2016
Amount Outstanding – June 30, 2019	\$ 4,495,000	\$ 4,175,000	\$ 7,175,000
Interest Rates	2.00% - 3.375%	2.00% - 3.625%	2.00% - 3.625%
Maturity Dates - Serially Beginning/Ending	September 1, 2019/2033	September 1, 2019/2039	September 1, 2019/2040
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022*	September 1, 2023*	September 1, 2024*
	Series 2017	Series 2017A Park	Refunding Series 2019
Amount Outstanding – June 30, 2019	\$ 1,435,000	\$ 2,765,000	\$ 1,875,000
Interest Rates	2.00% - 4.50%	2.00% - 4.50%	2.00% - 3.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2019/2040	September 1, 2019/2040	September 1, 2020/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024*	September 1, 2024*	September 1, 2024*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2015A term bonds due September 1, 2035, and September 1, 2039 are subjected to mandatory redemption by random selection beginning September 1, 2033, and September 1, 2036, respectively. Series 2016 term bonds due September 1, 2040, are subjected to mandatory redemption by random selection beginning September 1, 2037. Series 2017 term bonds due September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, and September 1, 2040 are subjected to mandatory redemption by random selection beginning September 1, 2031, September 1, 2033, September 1, 2035, September 1, 2037, and September 1, 2039, respectively. Series 2017A Park term bonds due September 1, 2031, September 1, 2033, September 1, 2035, September 1, 2037, and September 1, 2039 are subjected to mandatory redemption by random selection beginning September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2036, and September 1, 2038, respectively. Series 2019 term bonds due September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032, September 1, 2034 and September 1, 2036 are subject to mandatory redemption by random selection beginning September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031, September 1, 2033, and September 1, 2035, respectively.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended June 30, 2019:

	July 1, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 34,095,000	\$ 1,875,000	\$ 3,180,000	\$ 32,790,000
Unamortized Discounts	(154,864)	(12,958)	(44,925)	(122,897)
Unamortized Premiums	12,789	(868)		11,921
Bonds Payable, Net	\$ 33,952,925	\$ 1,861,174	\$ 3,135,075	\$ 32,679,024
		Amount Due Within One Year		\$ 1,455,000
		Amount Due After One Year		31,224,024
		Bonds Payable, Net		\$ 32,679,024

As of June 30, 2019, the District had authorized but unissued bonds in the amount of \$25,585,000 for utility facilities, \$21,085,000 for refunding purposes and \$2,135,000 for recreational facilities.

As of June 30, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,455,000	\$ 1,021,569	\$ 2,476,569
2021	1,480,000	997,315	2,477,315
2022	1,505,000	956,365	2,461,365
2023	1,515,000	913,714	2,428,714
2024	1,530,000	870,057	2,400,057
2025-2029	7,840,000	3,670,719	11,510,719
2030-2034	8,280,000	2,403,093	10,683,093
2035-2039	7,480,000	995,273	8,475,273
2040-2041	1,705,000	51,878	1,756,878
	\$ 32,790,000	\$ 11,879,983	\$ 44,669,983

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

During the year ended June 30, 2019, the District levied an ad valorem debt service tax rate of \$0.80 per \$100 of assessed valuation, which resulted in a tax levy of \$2,607,431 on the adjusted taxable valuation of \$325,928,774 for the 2018 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date	- October 1 or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data, and notices of certain events, to certain information depositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At June 30, 2019, the carrying amount of the District's deposits was \$1,180,177 and the bank balance was \$1,175,609. The District was not exposed to custodial credit risk at year-end.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at June 30, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 164,917	\$	\$ 164,917
DEBT SERVICE FUND	55,160	960,000	1,015,160
CAPITAL PROJECTS FUND	100		100
TOTAL DEPOSITS	\$ 220,177	\$ 960,000	\$ 1,180,177

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District records its investments in certificates of deposit at acquisition cost. As of June 30, 2019, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities - Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Texas CLASS	\$ 3,769,141	\$ 3,769,141
<u>DEBT SERVICE FUND</u>		
Texas CLASS	2,064,702	2,064,702
Certificates of Deposits	960,000	960,000
<u>CAPITAL PROJECTS FUND</u>		
Texas CLASS	<u>1,187,001</u>	<u>1,187,001</u>
TOTAL INVESTMENTS	<u>\$ 7,980,844</u>	<u>\$ 7,980,844</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District's investments in Texas CLASS are rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 3,065,217	\$	\$	\$ 3,065,217
Construction in Progress	<u>563,280</u>	<u>650,961</u>	<u>212,008</u>	<u>1,002,233</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,628,497</u>	<u>\$ 650,961</u>	<u>\$ 212,008</u>	<u>\$ 4,067,450</u>
Capital Assets Subject to Depreciation				
Water System	\$ 4,739,692	\$ 18,630	\$	\$ 4,758,322
Wastewater System	7,431,751	30,460		7,462,211
Drainage System	14,156,262	32,852		14,189,114
Recreational Facilities	<u>3,505,755</u>	<u>130,066</u>		<u>3,635,821</u>
Total Capital Assets Subject to Depreciation	<u>\$ 29,833,460</u>	<u>\$ 212,008</u>	<u>\$ - 0 -</u>	<u>\$ 30,045,468</u>
Less Accumulated Depreciation				
Water System	\$ 873,405	\$ 130,499	\$	\$ 1,003,904
Wastewater System	1,261,516	181,562		1,443,078
Drainage System	2,081,615	321,550		2,403,165
Recreational Facilities	<u>1,253,302</u>	<u>236,361</u>		<u>1,489,663</u>
Total Accumulated Depreciation	<u>\$ 5,469,838</u>	<u>\$ 869,972</u>	<u>\$ - 0 -</u>	<u>\$ 6,339,810</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,363,622</u>	<u>\$ (657,964)</u>	<u>\$ - 0 -</u>	<u>\$ 23,705,658</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 27,992,119</u>	<u>\$ (7,003)</u>	<u>\$ 212,008</u>	<u>\$ 27,773,108</u>

NOTE 7. MAINTENANCE TAX

On November 8, 2005, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the year ended June 30, 2019, the District levied an ad valorem maintenance tax rate of \$0.39 per \$100 of assessed valuation, which resulted in a tax levy of \$1,271,122 on the adjusted taxable valuation of \$325,928,774 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

NOTE 8. REGIONAL WATER SUPPLY SYSTEM

The District is a participant in a regional water supply system with District No. 1, District No. 2 District No. 143 pursuant to an agreement, as amended. District No. 1 holds title to the water plant and has responsibility for capital improvements as well as maintenance of the water plant. The costs of operating and maintaining the water plant are shared based on metered water usage within each District. Non-routine repairs and maintenance costs are shared based on ownership capacity. During the year ended June 30, 2019, the District paid \$539,517 for purchased water. The District maintains a reserve balance of \$86,632. The term of this agreement is 40 years.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. REGIONAL WATER SUPPLY SYSTEM (Continued)

The following summary financial data on the joint water plant is presented for the fiscal year ended June 30, 2019.

	Joint Water Facilities
Total Assets	\$ 848,372
Total Liabilities	<u>420,139</u>
Total Fund Balance	<u>\$ 428,233</u>
Total Revenues	\$ 2,660,551
Total Expenditures	<u>2,660,551</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ -0-
Other Financing Sources – Reserve Increase	<u>18,450</u>
Net Change in Fund Balance	\$ 18,450
Beginning Fund Balance	<u>409,783</u>
Ending Fund Balance	<u>\$ 428,233</u>

NOTE 9. REGIONAL WASTEWATER TREATMENT FACILITIES

The District is a participant in regional wastewater treatment facilities with District No. 1, District No. 2 and District No. 143 pursuant to an agreement, as amended. The District owns an aggregate of 271,120 gpd of wastewater treatment capacity in the plant. Ownership of the system belongs to District No. 1. Unless terminated by mutual agreement of the participants, the contracts will continue in force and effect as long as the participants are in existence. Monthly billings consist of a fixed capacity charge, currently \$1.50 per 1,000 gallons of treatment capacity in the system reserved to each participant, and an operating charge, currently \$11.58 per active single family residential connections. During the year ended June 30, 2019, the District incurred costs of \$165,045 for purchased wastewater services. The District also maintains a reserve balance of \$45,312.

The following summary financial data of the joint wastewater treatment facilities is presented for the fiscal year ended June 30, 2019.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9. REGIONAL WASTEWATER TREATMENT FACILITIES (Continued)

	Joint Wastewater Treatment Facilities
Total Assets	\$ 2,159,636
Total Liabilities	<u>1,883,253</u>
Total Fund Balance	<u>\$ 276,383</u>
Total Revenues	\$ 3,009,473
Total Expenditures	<u>3,009,473</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>276,383</u>
Ending Fund Balance	<u>\$ 276,383</u>

NOTE 10. REGIONAL DETENTION FACILITIES

The District is a participant in regional detention facilities with District No. 1, District No. 2 and District No. 143 pursuant to an agreement, as amended. District No. 1 operates the detention facilities. Each district is responsible for operation and maintenance costs based on its pro rata share of detention volume. During the year ended June 30, 2019, the District incurred detention facilities costs of \$38,383. The District maintains a reserve balance of \$25,821. The term of this agreement is 50 years from its effective date.

The following summary financial data of the joint detention facilities is presented for the fiscal year ended June 30, 2019.

	Detention Facilities
Total Assets	\$ 81,766
Total Liabilities	<u>7,972</u>
Total Fund Balance	<u>\$ 73,794</u>
Total Revenues	\$ 131,575
Total Expenditures	<u>131,575</u>
Net Change in Fund Balance	\$ -0-
Beginning Fund Balance	<u>73,794</u>
Ending Fund Balance	<u>\$ 73,794</u>

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11. NORTH FORT BEND WATER AUTHORITY

The District is located within the boundaries of the North Fort Bend Water Authority (the “Authority”). The Authority was created by an Act of the Texas Legislature. The Act empowers the Authority for purposes including the acquisition and provision of surface water and groundwater for residential, commercial, industrial, agricultural, and other uses, the reduction of groundwater withdrawals, the conservation, preservation, protection, recharge, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by withdrawal of water from those groundwater reservoirs or their subdivisions. The Authority is overseeing that its participants comply with subsidence district pumpage requirements. The Authority charges a fee, based on the amount of water pumped from a well, to the owners of wells located within the boundaries of the Authority, unless exempted. The District’s costs for these fees are included in purchased water costs.

NOTE 12. DUE TO DEVELOPER AND UNREIMBURSED COSTS

The District has executed a developer financing agreement with the Developer within the District. The agreement calls for the Developer to fund costs associated with water, sewer, drainage and recreational facilities until such time as the District can sell bonds. The District has recorded \$1,701,661 as a liability to the Developer for facilities which the District now operates and maintains.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 14. FIRE PROTECTION AGREEMENT

The District is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. The District has prepared a detailed fire plan which has been approved by the TCEQ. The fire plan does not call for the issuance of bonds but for a mandatory fee and monetary contribution to the City of Richmond, Texas. Pursuant to a Fire Protection Services Agreement, the Board held a successful election to approve the fire plan and Fire Protection Services Agreement. Fire protection is currently provided to property in the District by the City of Richmond, Texas Fire Station No. 3 located one-half mile south of the

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14. FIRE PROTECTION AGREEMENT (Continued)

District. The Agreement with the City of Richmond requires residents of the District to pay a mandatory fire fee. The agreement is in effect for 15 years from the effective date of December 1, 2007 and will be automatically renewed thereafter for successive one-year terms unless the District is dissolved by reason of annexation by the City of Houston

NOTE 15. REFUNDING BOND SALE

On June 5, 2019, the District closed on the sale of its \$1,875,000 Unlimited Tax Refunding Bonds, Series 2019. Proceeds of the bonds were used to redeem, prior to stated maturities, a portion of the outstanding Series 2011 bonds in the amount of \$1,735,000, with maturities of 2020-2036, interest rates of 4.00%-5.00%, and a redemption date of September 1, 2019. The refunding resulted in gross debt service savings of \$212,752 and net present value savings of \$153,635.

NOTE 16. USE OF SURPLUS FUNDS

On February 26, 2019, the District received approval from the Commission to use surplus funds of \$395,000 from utility bonds to reimburse the developer for utilities serving Fieldstone Section 13 and Mason Road Section 1 and to use surplus funds of \$276,000 from recreation bonds to reimburse the developer for park projects including parks and streetscape to serve Fieldstone Phase 1, Fieldstone Sections 5 and 10 Cul-de-sac landscaping, Fieldstone Section 8, Phase B landscaping and West Bellfort Median tree planting.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 1,190,000	\$ 1,246,000	\$ 1,270,374	\$ 24,374
Water Service	588,000	588,000	598,020	10,020
Wastewater Service	372,000	372,000	388,517	16,517
Water Authority Fees	481,000	481,000	502,203	21,203
Fire Protection Fees	184,400	184,400	194,640	10,240
Penalty and Interest	25,000	25,000	29,812	4,812
Connection and Inspection Fees	74,100	74,100	117,805	43,705
Investment and Miscellaneous Revenues	80,400	80,400	90,691	10,291
TOTAL REVENUES	\$ 2,994,900	\$ 3,050,900	\$ 3,192,062	\$ 141,162
EXPENDITURES				
Services Operations:				
Professional Fees	\$ 165,559	\$ 177,559	\$ 181,183	\$ (3,624)
Contracted Services	613,530	613,530	605,732	7,798
Purchased Water Service	513,554	513,554	539,517	(25,963)
Purchased Wastewater Service	192,689	192,689	165,045	27,644
Detention Facilities Costs	121,424	121,424	38,383	83,041
Utilities	29,400	29,400	24,145	5,255
Repairs and Maintenance	159,500	190,148	229,541	(39,393)
Other	129,400	129,400	164,110	(34,710)
Capital Outlay	550,000	550,000	321,732	228,268
TOTAL EXPENDITURES	\$ 2,475,056	\$ 2,517,704	\$ 2,269,388	\$ 248,316
NET CHANGE IN FUND BALANCE	\$ 519,844	\$ 533,196	\$ 922,674	\$ 389,478
FUND BALANCE - JULY 1, 2018	3,028,753	3,028,753	3,028,753	
FUND BALANCE - JUNE 30, 2019	\$ 3,548,597	\$ 3,561,949	\$ 3,951,427	\$ 389,478

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2019

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order approved June 13, 2019.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 33.60	8,000	N	\$ 1.00 \$ 1.50 \$ 2.00	8,001 to 15,000 15,001 to 30,000 30,001 and up
WASTEWATER	\$ 23.40		Y		
SURCHARGE:					
Fire Protection Fee	\$ 11.87		Y		
Regional Water Authority Fees	\$ 4.40 per 1,000 gallons				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$35.60 Wastewater: \$23.40 Surcharge: \$55.87

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ³ / ₄ "	<u>1,111</u>	<u>1,106</u>	x 1.0	<u>1,106</u>
1"	<u>334</u>	<u>331</u>	x 2.5	<u>828</u>
1½"			x 5.0	
2"	<u>12</u>	<u>12</u>	x 8.0	<u>96</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10" Master			x 115.0	
Total Water Connections	<u>1,457</u>	<u>1,449</u>		<u>2,030</u>
Total Wastewater Connections	<u>1,411</u>	<u>1,403</u>	x 1.0	<u>1,403</u>

3. TOTAL WATER CONSUMPTION DURING FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons billed to customers: 118,732,000 Water Accountability Ratio: *

* The District participates in joint water supply facilities with District No. 1, District No. 2, and District No. 143 (see Note 8).

See accompanying independent auditor's report.

**FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2019**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ___ No X

Does the District have Operation and Maintenance standby fees? Yes ___ No X

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Fort Bend County, Texas

Is the District located within a city?

Entirely _____ Partly _____ Not at all X

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

Entirely X Partly _____ Not at all _____

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

PROFESSIONAL FEES:	
Auditing	\$ 15,500
Engineering	54,298
Legal	111,385
TOTAL PROFESSIONAL FEES	<u>\$ 181,183</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 539,517
Purchased Wastewater Service	165,045
Detention Facilities Costs	38,383
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 742,945</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 23,719
Operations and Billing	59,273
TOTAL CONTRACTED SERVICES	<u>\$ 82,992</u>
UTILITIES:	
Electricity	\$ 23,673
Telephone	472
TOTAL UTILITIES	<u>\$ 24,145</u>
REPAIRS AND MAINTENANCE	<u>\$ 229,541</u>
ADMINISTRATIVE EXPENDITURES:	
Arbitrage Compliance Costs	\$ 2,500
Director Fees, Including Payroll Taxes and Administration	10,049
Insurance	9,376
Office Supplies and Postage	21,865
Travel and Meetings	3,846
Other	8,684
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 56,320</u>
CAPITAL OUTLAY	<u>\$ 321,732</u>
TAP CONNECTIONS	<u>\$ 46,100</u>
SOLID WASTE DISPOSAL	<u>\$ 272,859</u>
SECURITY	<u>\$ 56,568</u>
FIRE FIGHTING	<u>\$ 193,313</u>
OTHER EXPENDITURES:	
Chemicals	\$ 856
Laboratory Fees	6,660
Permit Fees	8,013
Inspection and Reconnection	41,437
Regulatory Assessment	4,724
TOTAL OTHER EXPENDITURES	<u>\$ 61,690</u>
TOTAL EXPENDITURES	<u><u>\$ 2,269,388</u></u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
INVESTMENTS
JUNE 30, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0005	Varies	Daily	\$ 3,769,141	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
Texas CLASS	XXXX0004	Varies	Daily	\$ 2,064,702	\$
Certificates of Deposit	XXXX2303	2.50%	02/10/20	240,000	1,233
Certificates of Deposit	XXXX0498	2.60%	02/10/20	240,000	1,282
Certificates of Deposit	XXXX2567	2.60%	02/10/20	240,000	1,282
Certificates of Deposit	XXXX4475	2.50%	02/10/20	240,000	1,233
TOTAL DEBT SERVICE FUND				<u>\$ 3,024,702</u>	<u>\$ 5,030</u>
<u>CAPITAL PROJECTS FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 19,172	\$
Texas CLASS	XXXX0002	Varies	Daily	763,165	
Texas CLASS	XXXX0003	Varies	Daily	404,664	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 1,187,001</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 7,980,844</u>	<u>\$ 5,030</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE - JULY 1, 2018	\$	8,203		\$ 18,170
Adjustments to Beginning Balance		<u>(60)</u>	\$ 8,143	<u>(132)</u> \$ 18,038
Original 2018 Tax Levy	\$	1,271,448		\$ 2,608,099
Adjustment to 2018 Tax Levy		<u>(326)</u>	<u>1,271,122</u>	<u>(668)</u> <u>2,607,431</u>
TOTAL TO BE ACCOUNTED FOR			\$ 1,279,265	\$ 2,625,469
TAX COLLECTIONS:				
Prior Years	\$	8,143		\$ 18,038
Current Year		<u>1,262,231</u>	<u>1,270,374</u>	<u>2,589,193</u> <u>2,607,231</u>
TAXES RECEIVABLE - JUNE 30, 2019			<u>\$ 8,891</u>	<u>\$ 18,238</u>
TAXES RECEIVABLE BY YEAR:				
2018			<u>\$ 8,891</u>	<u>\$ 18,238</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 53,641,640	\$ 49,645,370	\$ 45,266,250	\$ 39,228,700
Improvements	277,323,480	251,201,830	212,029,140	162,074,640
Personal Property	1,239,100	1,091,250	871,490	776,130
Exemptions	(6,275,446)	(6,460,488)	(7,310,871)	(8,854,235)
TOTAL PROPERTY VALUATIONS	\$ 325,928,774	\$ 295,477,962	\$ 250,856,009	\$ 193,225,235
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.80	\$ 0.86	\$ 0.87	\$ 0.90
Maintenance	0.39	0.39	0.38	0.42
TOTAL TAX RATES PER \$100 VALUATION	\$ 1.19	\$ 1.25	\$ 1.25	\$ 1.32
ADJUSTED TAX LEVY*	\$ 3,878,553	\$ 3,693,477	\$ 3,135,703	\$ 2,550,573
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	99.30 %	100.00 %	100.00 %	100.00 %

* Based upon adjusted tax at time of audit for the period in which the tax was levied.

** Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on November 8, 2005.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 1				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 60,000	\$ 1,110	\$	61,110
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
	\$ 60,000	\$ 1,110	\$	61,110

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 2				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 60,000	\$ 77,119	\$	137,119
2021	65,000	75,244		140,244
2022	70,000	73,219		143,219
2023	70,000	71,119		141,119
2024	75,000	68,944		143,944
2025	80,000	66,518		146,518
2026	85,000	63,837		148,837
2027	90,000	60,994		150,994
2028	95,000	57,869		152,869
2029	100,000	54,456		154,456
2030	110,000	50,781		160,781
2031	115,000	46,772		161,772
2032	120,000	42,512		162,512
2033	130,000	37,981		167,981
2034	135,000	33,094		168,094
2035	145,000	27,844		172,844
2036	155,000	22,219		177,219
2037	165,000	16,219		181,219
2038	170,000	9,937		179,937
2039	180,000	3,375		183,375
2040				
2041				
	\$ 2,215,000	\$ 960,053	\$	3,175,053

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 185,000	\$ 152,044	\$	337,044
2021	185,000	146,494		331,494
2022	185,000	140,944		325,944
2023	185,000	135,394		320,394
2024	185,000	129,612		314,612
2025	185,000	123,369		308,369
2026	185,000	116,662		301,662
2027	185,000	109,494		294,494
2028	185,000	102,093		287,093
2029	185,000	94,463		279,463
2030	185,000	86,600		271,600
2031	185,000	78,506		263,506
2032	185,000	70,065		255,065
2033	185,000	61,393		246,393
2034	190,000	52,250		242,250
2035	190,000	42,750		232,750
2036	190,000	33,250		223,250
2037	190,000	23,750		213,750
2038	190,000	14,250		204,250
2039	190,000	4,750		194,750
2040				
2041				
	\$ 3,730,000	\$ 1,718,133	\$	5,448,133

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 235,000	\$ 152,413	\$	387,413
2021	235,000	147,713		382,713
2022	235,000	141,837		376,837
2023	235,000	134,787		369,787
2024	235,000	127,737		362,737
2025	235,000	120,687		355,687
2026	235,000	113,637		348,637
2027	230,000	106,662		336,662
2028	230,000	99,762		329,762
2029	230,000	92,862		322,862
2030	230,000	85,819		315,819
2031	230,000	78,488		308,488
2032	230,000	71,013		301,013
2033	230,000	63,250		293,250
2034	230,000	55,200		285,200
2035	230,000	47,150		277,150
2036	230,000	39,100		269,100
2037	230,000	30,906		260,906
2038	230,000	22,569		252,569
2039	230,000	13,800		243,800
2040	230,000	4,600		234,600
2041				
	\$ 4,865,000	\$ 1,749,992	\$	6,614,992

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

SERIES - 2015 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 250,000	\$ 133,719	\$ 383,719
2021	250,000	127,469	377,469
2022	265,000	119,744	384,744
2023	270,000	111,719	381,719
2024	275,000	103,544	378,544
2025	285,000	95,144	380,144
2026	290,000	86,519	376,519
2027	300,000	77,669	377,669
2028	305,000	68,593	373,593
2029	310,000	59,368	369,368
2030	325,000	49,640	374,640
2031	330,000	39,406	369,406
2032	335,000	28,806	363,806
2033	345,000	17,756	362,756
2034	360,000	6,075	366,075
2035			
2036			
2037			
2038			
2039			
2040			
2041			
	<u>\$ 4,495,000</u>	<u>\$ 1,125,171</u>	<u>\$ 5,620,171</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 5 A				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 175,000	\$ 122,500	\$	297,500
2021	175,000	119,000		294,000
2022	175,000	115,500		290,500
2023	175,000	112,000		287,000
2024	175,000	108,500		283,500
2025	175,000	104,781		279,781
2026	175,000	100,625		275,625
2027	175,000	96,141		271,141
2028	175,000	91,219		266,219
2029	175,000	85,969		260,969
2030	175,000	80,719		255,719
2031	175,000	75,469		250,469
2032	175,000	70,109		245,109
2033	175,000	64,531		239,531
2034	175,000	58,625		233,625
2035	250,000	51,187		301,187
2036	250,000	42,437		292,437
2037	250,000	33,531		283,531
2038	250,000	24,469		274,469
2039	275,000	14,953		289,953
2040	275,000	4,984		279,984
2041				
	\$ 4,175,000	\$ 1,577,249	\$	5,752,249

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 6				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 330,000	\$ 214,188	\$	544,188
2021	330,000	207,587		537,587
2022	330,000	200,988		530,988
2023	330,000	194,387		524,387
2024	330,000	186,138		516,138
2025	325,000	176,313		501,313
2026	325,000	166,563		491,563
2027	325,000	156,813		481,813
2028	325,000	147,063		472,063
2029	325,000	137,313		462,313
2030	325,000	127,563		452,563
2031	325,000	117,812		442,812
2032	325,000	107,860		432,860
2033	325,000	97,500		422,500
2034	325,000	86,734		411,734
2035	325,000	75,563		400,563
2036	325,000	64,188		389,188
2037	325,000	52,812		377,812
2038	325,000	41,234		366,234
2039	325,000	29,453		354,453
2040	325,000	17,672		342,672
2041	325,000	5,891		330,891
	\$ 7,175,000	\$ 2,611,635	\$	9,786,635

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 7				
Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 60,000	\$ 44,738	\$	104,738
2021	60,000	42,038		102,038
2022	60,000	39,338		99,338
2023	60,000	36,638		96,638
2024	60,000	33,938		93,938
2025	60,000	31,988		91,988
2026	60,000	30,788		90,788
2027	60,000	29,550		89,550
2028	60,000	28,162		88,162
2029	60,000	26,662		86,662
2030	60,000	25,087		85,087
2031	60,000	23,437		83,437
2032	60,000	21,712		81,712
2033	60,000	19,912		79,912
2034	60,000	18,112		78,112
2035	75,000	16,087		91,087
2036	75,000	13,791		88,791
2037	75,000	11,447		86,447
2038	75,000	9,056		84,056
2039	75,000	6,619		81,619
2040	80,000	4,050		84,050
2041	80,000	1,350		81,350
	\$ 1,435,000	\$ 514,500	\$	1,949,500

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

S E R I E S - 2 0 1 7 A P A R K

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$ 100,000	\$ 84,882	\$ 184,882
2021	100,000	80,382	180,382
2022	100,000	75,882	175,882
2023	100,000	71,382	171,382
2024	100,000	68,131	168,131
2025	100,000	66,131	166,131
2026	100,000	64,131	164,131
2027	100,000	62,069	162,069
2028	100,000	59,819	159,819
2029	100,000	57,381	157,381
2030	100,000	54,755	154,755
2031	100,000	51,881	151,881
2032	100,000	48,881	148,881
2033	100,000	45,881	145,881
2034	100,000	42,881	142,881
2035	175,000	38,647	213,647
2036	175,000	33,178	208,178
2037	175,000	27,600	202,600
2038	175,000	21,912	196,912
2039	175,000	16,115	191,115
2040	190,000	9,956	199,956
2041	200,000	3,375	203,375
	<u>\$ 2,765,000</u>	<u>\$ 1,085,252</u>	<u>\$ 3,850,252</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

SERIES - 2019 REFUNDING

Due During Fiscal Years Ending June 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2020	\$	\$ 38,856	\$ 38,856
2021	80,000	51,388	131,388
2022	85,000	48,913	133,913
2023	90,000	46,288	136,288
2024	95,000	43,513	138,513
2025	95,000	40,663	135,663
2026	100,000	38,237	138,237
2027	105,000	36,187	141,187
2028	105,000	33,956	138,956
2029	110,000	31,537	141,537
2030	110,000	28,650	138,650
2031	115,000	25,275	140,275
2032	120,000	21,750	141,750
2033	120,000	18,150	138,150
2034	130,000	14,400	144,400
2035	130,000	10,500	140,500
2036	140,000	6,450	146,450
2037	145,000	2,175	147,175
2038			
2039			
2040			
2041			
	<u>\$ 1,875,000</u>	<u>\$ 536,888</u>	<u>\$ 2,411,888</u>

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
LONG-TERM DEBT SERVICE REQUIREMENTS
JUNE 30, 2019

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending June 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,455,000	\$ 1,021,569	\$ 2,476,569
2021	1,480,000	997,315	2,477,315
2022	1,505,000	956,365	2,461,365
2023	1,515,000	913,714	2,428,714
2024	1,530,000	870,057	2,400,057
2025	1,540,000	825,594	2,365,594
2026	1,555,000	780,999	2,335,999
2027	1,570,000	735,579	2,305,579
2028	1,580,000	688,536	2,268,536
2029	1,595,000	640,011	2,235,011
2030	1,620,000	589,614	2,209,614
2031	1,635,000	537,046	2,172,046
2032	1,650,000	482,708	2,132,708
2033	1,670,000	426,354	2,096,354
2034	1,705,000	367,371	2,072,371
2035	1,520,000	309,728	1,829,728
2036	1,540,000	254,613	1,794,613
2037	1,555,000	198,440	1,753,440
2038	1,415,000	143,427	1,558,427
2039	1,450,000	89,065	1,539,065
2040	1,100,000	41,262	1,141,262
2041	605,000	10,616	615,616
	<u>\$ 32,790,000</u>	<u>\$ 11,879,983</u>	<u>\$ 44,669,983</u>

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Description	Original Bonds Issued	Bonds Outstanding July 1, 2018
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2011	\$ 2,135,000	\$ 1,850,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2012	2,500,000	2,270,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2013	4,655,000	3,915,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2014	5,800,000	5,100,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Refunding Bonds - Series 2015	4,940,000	4,745,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2015A	4,750,000	4,350,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2016	7,830,000	7,505,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Bonds - Series 2017	1,495,000	1,495,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Park Bonds - Series 2017A	2,865,000	2,865,000
Fort Bend County Municipal Utility District No. 165 Unlimited Tax Refunding Bonds - Series 2019	<u>1,875,000</u>	<u> </u>
TOTAL	<u><u>\$ 38,845,000</u></u>	<u><u>\$ 34,095,000</u></u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding June 30, 2019</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 1,790,000	\$ 86,155	\$ 60,000	Wells Fargo Bank N.A. Houston, TX
	55,000	78,844	2,215,000	Wells Fargo Bank N.A. Houston, TX
	185,000	157,593	3,730,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	235,000	157,112	4,865,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	250,000	138,719	4,495,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	175,000	126,000	4,175,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	330,000	220,787	7,175,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	60,000	47,438	1,435,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	100,000	89,382	2,765,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>1,875,000</u>			<u>1,875,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ 1,875,000</u>	<u>\$ 3,180,000</u>	<u>\$ 1,102,030</u>	<u>\$ 32,790,000</u>	

See accompanying independent auditor's report.

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FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JUNE 30, 2019

Bond Authority:	Tax Bonds	Recreational Facilities Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 60,000,000	\$ 5,000,000	\$ 22,000,000
Amount Issued	34,415,000	2,865,000	915,000
Remaining to be Issued	\$ 25,585,000	\$ 2,135,000	\$ 21,085,000
 Debt Service Fund cash and investment balances as of June 30, 2019:			 \$ 3,079,862
Average annual debt service payment (principal and interest) for remaining term of all debt:			 \$ 2,030,454

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2019	2018	2017*
REVENUES			
Property Taxes	\$ 1,270,374	\$ 1,155,032	\$ 951,771
Water Service	598,020	565,318	546,246
Wastewater Service	388,517	352,600	340,857
Water Authority Fees	502,203	476,959	441,318
Fire Protection Fees	194,640	168,022	171,551
Penalty and Interest	29,812	16,318	32,671
Tap Connection and Inspection Fees	117,805	157,473	288,415
Investment and Miscellaneous Revenues	90,691	49,812	27,196
TOTAL REVENUES	\$ 3,192,062	\$ 2,941,534	\$ 2,800,025
EXPENDITURES			
Professional Fees	\$ 181,183	\$ 162,931	\$ 150,247
Contracted Services	605,732	583,646	523,124
Purchased Services	742,945	723,316	698,355
Utilities	24,145	28,613	26,006
Repairs and Maintenance	229,541	167,517	198,408
Other	164,110	179,775	219,521
Capital Outlay	321,732	238,191	568,577
TOTAL EXPENDITURES	\$ 2,269,388	\$ 2,083,989	\$ 2,384,238
NET CHANGE IN FUND BALANCE	\$ 922,674	\$ 857,545	\$ 415,787
BEGINNING FUND BALANCE	3,028,753	2,171,208	1,755,421
ENDING FUND BALANCE	\$ 3,951,427	\$ 3,028,753	\$ 2,171,208

* Thirteen-Month Period

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017*	2016	2015
\$ 805,860	\$ 616,151	39.9 %	39.2 %	33.9 %	36.5 %	34.0 %
428,076	362,425	18.7	19.2	19.5	19.4	19.9
272,476	230,760	12.2	12.0	12.2	12.4	12.7
318,065	233,990	15.7	16.2	15.8	14.4	12.9
134,885	111,031	6.1	5.7	6.1	6.1	6.1
25,505	20,272	0.9	0.6	1.2	1.2	1.1
204,015	229,685	3.7	5.4	10.3	9.3	12.6
15,470	13,510	2.8	1.7	1.0	0.7	0.7
<u>\$ 2,204,352</u>	<u>\$ 1,817,824</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 176,216	\$ 143,201	5.7 %	5.5 %	5.4 %	8.0 %	7.9 %
457,152	398,465	19.0	19.8	18.7	20.7	21.9
529,742	460,134	23.3	24.6	24.9	24.0	25.3
24,916	27,758	0.8	1.0	0.9	1.1	1.5
191,583	198,739	7.2	5.7	7.1	8.7	10.9
178,098	192,974	5.1	6.1	7.8	8.1	10.6
276,997		10.1	8.1	20.3	12.6	
<u>\$ 1,834,704</u>	<u>\$ 1,421,271</u>	<u>71.2 %</u>	<u>70.8 %</u>	<u>85.1 %</u>	<u>83.2 %</u>	<u>78.1 %</u>
\$ 369,648	\$ 396,553	28.8 %	29.2 %	14.9 %	16.8 %	21.9 %
<u>1,385,773</u>	<u>989,220</u>					
<u>\$ 1,755,421</u>	<u>\$ 1,385,773</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2019	2018	2017*
REVENUES			
Property Taxes	\$ 2,607,231	\$ 2,547,603	\$ 2,177,917
Penalty and Interest	17,754	21,464	19,284
Investment and Miscellaneous Revenues	58,537	32,738	12,183
TOTAL REVENUES	\$ 2,683,522	\$ 2,601,805	\$ 2,209,384
EXPENDITURES			
Tax Collection Expenditures	\$ 59,094	\$ 49,776	\$ 46,112
Debt Service Principal	1,445,000	1,270,000	970,000
Debt Service Interest and Fees	1,108,130	1,032,085	853,695
Bond Issuance Costs	120,306		
TOTAL EXPENDITURES	\$ 2,732,530	\$ 2,351,861	\$ 1,869,807
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (49,008)	\$ 249,944	\$ 339,577
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ 1,875,000	\$ 70,209	\$ 115,294
Transfer to Refunding Bond Escrow Agent	(1,770,441)		
Bond Premium/Discount	(12,958)		
TOTAL OTHER FINANCING SOURCES (USES)	\$ 91,601	\$ 70,209	\$ 115,294
NET CHANGE IN FUND BALANCE	\$ 42,593	\$ 320,153	\$ 454,871
BEGINNING FUND BALANCE	3,015,495	2,695,342	2,240,471
ENDING FUND BALANCE	\$ 3,058,088	\$ 3,015,495	\$ 2,695,342
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,449	1,379	1,281
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,403	1,335	1,240

* Thirteen-Month Period

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017*	2016	2015
\$ 1,726,412	\$ 1,259,478	97.1 %	97.9 %	98.5 %	99.0 %	99.3 %
13,628	7,633	0.7	0.8	0.9	0.8	0.6
3,370	1,263	2.2	1.3	0.6	0.2	0.1
<u>\$ 1,743,410</u>	<u>\$ 1,268,374</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 34,174	\$ 28,761	2.2 %	1.9 %	2.1 %	2.0 %	2.3 %
675,000	405,000	53.8	48.8	43.9	38.7	31.9
708,965	695,052	41.3	39.7	38.6	40.7	54.8
	192,806	4.5				15.2
<u>\$ 1,418,139</u>	<u>\$ 1,321,619</u>	<u>101.8 %</u>	<u>90.4 %</u>	<u>84.6 %</u>	<u>81.4 %</u>	<u>104.2 %</u>
\$ 325,271	\$ (53,245)	(1.8) %	9.6 %	15.4 %	18.6 %	(4.2) %
\$ 67,875	\$ 5,026,731					
	(4,760,534)					
	15,623					
<u>\$ 67,875</u>	<u>\$ 281,820</u>					
\$ 393,146	\$ 228,575					
1,847,325	1,618,750					
<u>\$ 2,240,471</u>	<u>\$ 1,847,325</u>					
<u>1,082</u>	<u>947</u>					
<u>1,050</u>	<u>920</u>					

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

District Mailing Address - Fort Bend County Municipal Utility District No. 165
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, TX 77027

District Telephone Number - (713) 860-6400

Board Members:	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>June 30, 2019</u>	Expense reimbursements for the year ended <u>June 30, 2019</u>	<u>Title</u>
William David McKinnie IV	05/16 05/20 (Elected)	\$ 1,650	\$ 80	President
Matthew Moake	05/16 05/20 (Elected)	\$ 1,350	\$ 71	Secretary
Rick Garcia	05/18 05/22 (Elected)	\$ 1,800	\$ 346	Assistant Secretary
Greg C. Clutter	05/18 05/22 (Elected)	\$ 1,650	\$ 295	Assistant Vice President
Angela Gutowsky	05/16 05/20 (Elected)	\$ 1,350	\$ 1,235	Resigned

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's Developer or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
June 8, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 165
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2019

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2019</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	08/04/05	\$ 126,397 \$ 40,572	General Counsel/ Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	04/09/15	\$ 15,500 \$ 7,500	Auditor Bond Related
Municipal Accounts & Consulting, LP	08/10/17	\$ 31,871	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/08/07	\$ 6,526	Delinquent Tax Attorney
Jones & Carter, Inc.	08/04/05	\$ 60,186	Engineer
Masterson Advisors, LLC	05/10/18	\$ 22,508	Financial Advisor
Mark Burton & Ghia Lewis	04/12/18	\$ -0-	Investment Officers
Municipal District Services, LLC	06/01/12	\$ 358,787	Operator
Bob Leared	08/22/05	\$ 24,063	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100