

OFFICIAL STATEMENT DATED AUGUST 24, 2022

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; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE “TAX MATTERS” FOR A DISCUSSION OF BOND COUNSEL’S OPINION

The Bonds are **not** designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations” herein.

NEW ISSUE – Book Entry Only

Insured Ratings (AGM): S&P “AA”
Moody’s “A1”
Underlying Rating: Moody’s “Baa3”
See “MUNICIPAL BOND INSURANCE” and
“MUNICIPAL BOND RATING.”

\$10,500,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 218

(A Political Subdivision of the State of Texas Located within Fort Bend County)

UNLIMITED TAX BONDS

SERIES 2022

Dated: September 1, 2022

Due: September 1, as shown on inside cover

Interest Accrues: Date of Delivery

The \$10,500,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) are obligations solely of Fort Bend County Municipal Utility District No. 218 (the “District”) and are not obligations of Fort Bend County, Texas; the City of Rosenberg, Texas; the State of Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of Fort Bend County, Texas; the City of Rosenberg, Texas; the State of Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Interest on the Bonds accrues from the initial date of delivery (expected to be on or about September 22, 2022) (the “Date of Delivery”), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds will be issued in fully registered form only, without coupons, in principal denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated Zions Bancorporation, National Association, Houston, Texas, as the initial paying agent/registrar (the “Paying Agent/Registrar”) for the Bonds.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP (“AGM”).

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS” on inside cover.

The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”). See “THE BONDS—Authority for Issuance.”

The Bonds, when issued, will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “THE BONDS—Source of Payment.” Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled “INVESTMENT CONSIDERATIONS,” before making an investment decision.

The Bonds are offered, when, as and if issued by the District and accepted by the winning bidder of the Bonds (the “Initial Purchaser”), subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 22, 2022.

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

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2023	\$ 260,000	5.00 %	2.40 %	34683R CA9	2031	\$ 350,000 (c)	3.00 %	3.25 %	34683R CJ0
2024	270,000	5.00	2.50	34683R CB7	2032	365,000 (c)	3.25	3.45	34683R CK7
2025	280,000	5.00	2.60	34683R CC5	2033	375,000 (c)	4.00	3.50	34683R CL5
2026	290,000	5.00	2.70	34683R CD3	2034	390,000 (c)	4.00	3.60	34683R CM3
2027	300,000	5.00	2.80	34683R CE1	2035	405,000 (c)	4.00	3.70	34683R CN1
2028	315,000	5.00	2.90	34683R CF8	***	***	***	***	***
2029	325,000 (c)	3.00	3.00	34683R CG6	2038	455,000 (c)	4.00	4.00	34683R CR2
2030	340,000 (c)	3.00	3.15	34683R CH4	2039	470,000 (c)	4.00	4.05	34683R CS0
	\$855,000	Term Bond due September 1, 2037	(c), 3.90 % Yield	(a)		(b), 4.00% Interest Rate, 3.90 % Yield			
	\$995,000	Term Bond due September 1, 2041	(c), 4.10 % Yield	(a)		(b), 4.00% Interest Rate, 4.10 % Yield			
	\$1,635,000	Term Bond due September 1, 2044	(c), 4.15 % Yield	(a)		(b), 4.00% Interest Rate, 4.15 % Yield			
	\$1,825,000	Term Bond due September 1, 2047	(c), 4.20 % Yield	(a)		(b), 4.00% Interest Rate, 4.20 % Yield			

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2029, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2028, or on any date thereafter, at the par value 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."

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 representations must not be relied upon as having been authorized by the District or the Initial Purchaser.

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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, records, and 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 Coats Rose, P.C. 9 Greenway Plaza, Suite 1000, Houston, Texas, 77046, for further information.

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 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, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT—Updating of 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."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.003643% of the par value thereof, which resulted in a net effective interest rate of 4.171711%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States 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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should 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.

MUNICIPAL BOND INSURANCE

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 an appendix 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 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 "A1" (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 July 8, 2022, 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 March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, 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.

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, 2021.

Capitalization of AGM

At June 30, 2022:

- The policyholders' surplus of AGM was approximately \$2,779million.
- The contingency reserve of AGM was approximately \$905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,114 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and 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 documents 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:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 2022).

All 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."

MUNICIPAL BOND RATING

The Bonds have received an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The Bonds are expected to receive an insured rating of "A1" from Moody's solely in reliance upon the issuance of the municipal bond insurance policy by AGM at the time of delivery of the Bonds. Moody's has also assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The District will pay the rating fee associated with the District's underlying rating that will be charged by Moody's.

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OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds (herein defined) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The Issuer..... Fort Bend County Municipal Utility District No. 218 (the “District”), a political subdivision of the State of Texas, is located within Fort Bend County, Texas. See “THE DISTRICT—General” and “THE DISTRICT—Description and Location.”

Description of the Bonds..... The \$10,500,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”), are dated September 1, 2022, and mature on September 1 in each of the years and principal amounts set forth on the inside cover page hereof. The Bonds mature serially on September 1 in each of the years 2023 through 2035, both inclusive, and 2038 through 2039 and as term bonds on September 1 in each of the years 2037, 2041, 2044 and 2047 (the “Term Bonds”) and in the principal amounts and pay interest at the rates set forth on the inside cover page hereof. Interest accrues from the initial date of delivery expected on or about September 22, 2022 (the “Date of Delivery”), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS—General.”

Redemption Provisions..... Bonds maturing on or after September 1, 2029, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2028, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

Payment Record..... The District has previously issued one series of unlimited tax bonds in the principal amount of \$3,870,000 for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”) (the “Outstanding Utility Bonds”) and one series of unlimited tax road bonds in the principal amount of \$5,785,000 for the purpose of constructing roads within the District (the “Road System”) (the “Outstanding Road Bonds”), all of which remain outstanding (collectively, the “Outstanding Bonds”) as of the date hereof. The District has never defaulted on its debt obligations. See “THE BONDS—Outstanding Bonds.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District, without legal limitation as to rate or amount. **The Bonds are obligations solely of the District, and are not obligations of the State of Texas, Fort Bend County, Texas, the City of Rosenberg, Texas, or any entity other than the District.** See “THE BONDS—Source of Payment.”

Authority for Issuance..... The Bonds constitute the second series of unlimited tax bonds issued by the District for the Utility System. Voters in the District have authorized a total of \$140,000,000 principal amount of unlimited tax bonds for the Utility System. Following the issuance of the Bonds, \$125,630,000 principal amount of unlimited tax bonds for the Utility System will remain authorized and unissued.

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated July 27, 2022; the order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held within the District on May 5, 2018; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended. See “THE BONDS—Authority for Issuance” and “THE BONDS—Issuance of Additional Debt.”

Use of Bond Proceeds..... A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the costs associated with construction of the facilities shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, a portion of the proceeds will also be used to pay \$196,875 of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Not Qualified Tax-Exempt Obligations..... The Bonds are **not** designated as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”

Municipal Bond Insurance and Ratings..... S&P Global Ratings (AGM Insured): “AA.” Moody’s Investors Service, Inc. (AGM Insured): “A1.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATING.”

Bond Counsel Coats Rose, P.C., Houston, Texas.

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

Financial Advisor..... Robert W. Baird & Co. Incorporated, Houston, Texas.

District Engineer Pape-Dawson Engineers, Inc., Houston, Texas.

INFECTIOUS DISEASE OUTLOOK (COVID-19)

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

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.. See “INVESTMENT CONSIDERATIONS—Infectious Disease Outlook (COVID -19).”

THE DISTRICT

The Issuer..... The District was created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas and Chapters 49 and 54 of the Texas Water Code, as amended, by House Bill 4126, 84th Texas Legislature, Regular Session, 2015, codified as Chapter 7927, Special District Local Laws Code. See “THE DISTRICT—General.”

Location and Description The District contains approximately 247 acres of land and is located in central Fort Bend County, Texas, approximately 4 miles southeast of downtown Rosenberg at the intersection of Minonite Road (F.M. 2977) and Bryan Road. The District is located entirely within Fort Bend County, Texas, entirely within the extraterritorial jurisdiction of the City of Rosenberg, Texas, and within Lamar Consolidated Independent School District. See “THE DISTRICT—Description and Location.”

The Developer The Developer in the District is D.R. Horton – Texas, Ltd., a Texas limited partnership (“D.R. Horton” or the “Developer”), which is a subsidiary of D.R. Horton, Inc., a publicly traded corporation. D.R. Horton currently owns approximately 76 homes within the District. See “THE DEVELOPER.”

Development within the District Approximately 137 acres (734 lots) within the District have been developed as the single-family residential subdivision of Sunset

Crossing, Sections 1-7. As of June 30, 2022, the District consisted of 560 complete and occupied homes and 76 complete and unoccupied homes. Additionally, approximately 19 acres (70 lots) are currently under development as Sunset Crossing, Section 8. The remaining land within the District contains approximately 11 acres of reserved park and open space, approximately 80 undevelopable acres, and no additional developable acres. See "DEVELOPMENT WITHIN THE DISTRICT."

Homebuilders Within the District.....D.R. Horton is the sole homebuilder within the District. Prices of new homes being constructed within the District range from approximately \$349,000 to in excess of approximately \$386,000. Homes range in square footage from approximately 1,228 square feet to more than approximately 2,733 square feet. See "DEVELOPMENT WITHIN THE DISTRICT—Homebuilders Active Within the District."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD CAREFULLY REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING THEIR INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2021 Certified Taxable Assessed Valuation	\$ 77,342,220	(a)
2022 Taxable Assessed Valuation.....	\$ 140,604,213	(b)
Estimated Taxable Assessed Valuation as of July 20, 2022.....	\$ 160,303,179	(c)
Direct Debt:		
Outstanding Utility Bonds.....	\$ 3,870,000	
Outstanding Road Bonds.....	5,785,000	
The Bonds	<u>10,500,000</u>	
Total.....	\$ 20,155,000	
Estimated Overlapping Debt.....	<u>\$ 6,978,935</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 27,133,935	(d)
Direct Debt Ratio:		
As a percentage of 2022 Taxable Assessed Valuation.....	14.33	%
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022.....	12.57	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Taxable Assessed Valuation.....	19.30	%
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022.....	16.93	%
2021 Tax Rate:		
Utility System Debt Service	\$0.08	
Road System Debt Service	0.20	
Maintenance & Operation	<u>1.00</u>	
Total.....	\$1.28	(e)
Utility System Debt Service Fund (as of August 3, 2022).....	\$ 135,709	(f)
Road System Debt Service Fund (as of August 3, 2022).....	\$ 232,876	(f)
Operating Fund (as of August 3, 2022)	\$ 961,377	
Average Annual Debt Service Requirement (2023-2047).....	\$ 1,177,005	(g)
Maximum Annual Debt Service Requirement (2046).....	\$ 1,222,788	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2023-2047) at 95% Tax Collections		
Based on 2022 Taxable Assessed Valuation.....	\$0.89	
Based on Estimated Taxable Assessed Valuation as of July 20, 2022	\$0.78	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2046) at 95% Collections		
Based on 2022 Taxable Assessed Valuation.....	\$0.92	
Based on Estimated Taxable Assessed Valuation as of July 20, 2022	\$0.81	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the taxable assessed value of all taxable property within the District as of January 1, 2022, provided by the Appraisal District. This amount includes \$32,092,216 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2022 to July 20, 2022. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) See "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement."
- (e) The District anticipates levying a total tax rate of \$1.24 per \$100 of assessed valuation for the 2022 tax year consisting of: a maintenance tax rate of \$0.37 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.66 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.21 per \$100 of assessed valuation. See "TAX DATA—Tax Rate Distribution."
- (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund or the Road System Debt Service Fund. \$196,875 of capitalized interest on the Bonds will be deposited to the Utility System Debt Service Fund upon closing, such amount is not included above.
- (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT—Debt Service Requirements."

OFFICIAL STATEMENT
relating to

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 218

(A Political Subdivision of the State of Texas Located within Fort Bend County)

\$10,500,000
UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 218 (the “District”) of its \$10,500,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

The Bonds are issued and sold to the initial purchaser of the Bonds (the “Initial Purchaser”) pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”); an order of the District’s Board of Directors authorizing the issuance of the Bonds (the “Bond Order”); an election held within the District on May 5, 2018; Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046 or during the offering period from the District’s Financial Advisor, Robert W. Baird & Co., Incorporated, Attn: Jan Bartholomew, 1331 Lamar, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General

The Bonds will be dated September 1, 2022 with interest accruing from the initial date of delivery on or about September 22, 2022 (the “Date of Delivery”) and payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year comprised of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, in Houston, Texas (the “Paying Agent/Registrar”).

Redemption Provisions

Optional Redemption: Bonds maturing on September 1, 2029, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such 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 bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain

maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption: The Bonds maturing on September 1 in the years 2037, 2041, 2044 and 2047 are term bonds (the "Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

\$855,000 Term Bonds		\$995,000 Term Bonds		\$1,635,000 Term Bonds	
Due September 1, 2037		Due September 1, 2041		Due September 1, 2044	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2036	\$ 420,000	2040	\$490,000	2042	\$ 525,000
2037 (maturity)	435,000	2041 (maturity)	505,000	2043	545,000
				2044 (maturity)	565,000

\$1,825,000 Term Bonds	
Due September 1, 2047	
Mandatory	Principal
Redemption Date	Amount
2045	\$585,000
2046	610,000
2047	630,000

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner of the Bonds (the "Bondholder(s)"). The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. 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 for the Bonds.

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds in the principal amount of \$3,870,000 for the Utility System (the "Outstanding Utility Bonds") and one series of unlimited tax road bonds in the principal amount of \$5,785,000 for the Road System (the "Outstanding Road Bonds"), all of which bonds remain outstanding (collectively the "Outstanding Bonds") as of the date hereof, as set forth in the table below.

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Currently Outstanding</u>
2021	\$ 3,870,000	\$ 3,870,000
2021 (a)	<u>5,785,000</u>	<u>5,785,000</u>
Total	\$ 9,655,000	\$ 9,655,000

(a) Unlimited tax road bonds.

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 assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the 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 cost of

collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Texas, the City of Rosenberg, Texas (the “City”), or any other political subdivision or any entity other than the District.

Authority for Issuance

Voters in the District have authorized: \$140,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”) and \$210,000,000 principal amount of unlimited tax bonds for the refunding of such bonds.

The Bonds are issued pursuant to an order of the TCEQ dated July 27, 2022; the Bond Order; an election held within the District on May 5, 2018; Article XVI, Section 59 of the Texas Constitution; and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended.

The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE BONDS—Source of Payment.”

Issuance of Additional Debt

At an election held by the District on May 5, 2018, voters in the District authorized the following: \$140,000,000 principal amount of unlimited tax bonds for the Utility System and for the refunding of such bonds; \$69,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads within the District (the “Road System”) and the refunding of such bonds; and \$20,500,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District and the refunding of such bonds.

Following the issuance of the Bonds, \$125,630,000 principal amount of unlimited tax bonds for the Utility System and the refunding of such bonds; \$63,215,000 principal amount of unlimited tax bonds for the Road System and the refunding of such bonds; and \$20,500,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District and the refunding of such bonds will remain authorized but unissued.

The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. See “THE BONDS—Source of Payment.”

Following the issuance of the Bonds, the District will owe the Developer approximately \$ 8,989,000 for District projects for the Utility System and the Road System, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District’s consulting engineer, Pape-Dawson Engineers, Inc. (the “Engineer”), following the issuance of the bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities and roads, and to finance the remaining undeveloped land within the District. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS—Future Debt.”

Registered Owners’ Remedies

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order 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.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, 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 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.

Annexation by the City of Rosenberg

Under existing law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Under Texas law, a city is authorized to annex property within its extraterritorial jurisdiction and to abolish the municipal utility district in which such property is located, subject to compliance with various requirements of Chapter 43 of the Texas Local Government Code, including the following: (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. If a city and a municipal utility district existing within the extraterritorial jurisdiction have entered into a strategic partnership, however, the election and petition process specified above does not apply during the term of the agreement. The agreement may provide for a full purpose annexation or a limited purpose annexation. The District has entered into a Strategic Partnership Agreement with the City. See "THE DISTRICT—Strategic Partnership Agreement Between the District and the City of Rosenberg."

If the City were to successfully annex the property within the District, the City would assume the District's assets and obligations (including the Bonds) and dissolve the District. The commencement of annexation proceedings by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See "THE DISTRICT—Strategic Partnership Agreement Between the District and the City of Rosenberg."

Consolidation

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the securities. 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a "AA+" rating from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. 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 purchase of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the

books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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.

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Paying Agent/Registrar or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds of the sale of the Bonds will be used to reimburse the Developer for the construction costs set out below. In addition, a portion of the proceeds of the sale of the Bonds will be used to pay the lesser of \$196,875 or six (6) months of capitalized interest, developer interest, and other certain costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor.

I. CONSTRUCTION COSTS

Water, Sewer and Drainage Facilities to Serve:	
Sunset Crossing, Section One.....	\$ 1,069,762
Sunset Crossing, Section Two.....	1,937,769
Sunset Crossing, Section Three.....	1,026,386
Sunset Crossing, Section Four.....	540,017
Sunset Crossing, Section Five.....	1,133,683
Sunset Crossing Bryan Road, Phase Two.....	384,488
Water Impact Fees.....	1,124,604
Wastewater Impact Fees.....	703,091
Detention Impact Fees.....	681,554
Engineering.....	<u>532,113</u>
Total Construction Costs.....	\$ 9,133,467

II. NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 250,000
Fiscal Agent Fees.....	210,000
Interest:	
a). Capitalized Interest.....	196,875
b). Developer Interest (Estimated).....	263,983
Bond Discount (a).....	314,618
Bond Issuance Expenses.....	59,925
TCEQ Fee.....	26,250
Bond Application Report Costs.....	35,000
Attorney General Fee.....	9,500
Contingency (a).....	<u>382</u>
Total Non-Construction Costs.....	\$ 1,366,533

TOTAL BOND ISSUE REQUIREMENT..... \$10,500,000

(a) Contingency represents the difference in the estimated and actual amount of Bond discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, operating as a municipal utility district pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and House Bill 4126, 84th Texas Legislature, Regular Session, 2015, codified as Chapter 7927, Special District Local Laws Code. The District is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation to those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water, among other things. The District is also empowered to finance certain road improvements, and park and recreational facilities as long as they meet the Fort Bend County, Texas, and City criteria. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities.

Description and Location

The District contains approximately 247 acres of land and is located in central Fort Bend County, Texas, approximately 4 miles southeast of downtown Rosenberg at the intersection of Minonite Road (F.M. 2977) and Bryan Road. The District is located entirely within Fort Bend County, Texas, entirely within the extraterritorial jurisdiction of the City and within Lamar Consolidated Independent School District.

Management of the District

The District is governed by a board, consisting of five directors (the "Board"), which has control over and management and supervision of all affairs of the District. Directors serve staggered four-year terms, with elections held in May of each even numbered year. All of the directors own property in the District. The present members and officers of the Board listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
J.L. Collier	President	2026
Susan L. Hill	Vice President	2024
Eliza Beth Reeves	Secretary	2026
Vacant	Assistant Secretary	2024
Patricia Dolores Miller	Assistant Secretary	2026

Consultants

Tax Assessor/Collector: The District's Tax Assessor/Collector is Assessments of the Southwest, Inc. (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Fort Bend Central Appraisal District (the "Appraisal District") and bills and collects such levy.

Bookkeeper: The District contracts with Myrtle Cruz, Inc. as Bookkeeper for the District.

System Operator: The District's current operator is Si Environmental, LLC.

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. McGrath & Co., PLLC audited the financial statements of the District for the fiscal year ending April 30, 2022. See "APPENDIX A."

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Pape-Dawson Engineers, Inc.

Bond Counsel: The District has engaged Coats Rose, P.C., Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Coats Rose, P.C., Houston, Texas also serves as the District's general counsel.

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co., Incorporated is engaged as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is employed by the District and has participated in the preparation of the Official Statement; however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third-parties.

Strategic Partnership Agreement Between the District and the City of Rosenberg

The District and the City entered into a Strategic Partnership Agreement ("SPA") on or about January 21, 2020 pursuant to Chapter 43 of the Texas Local Government Code. The SPA provides for the terms and conditions for annexation of the District by the City and controls over any other law. The SPA terminates on the earlier of (i) 25 years from the effective date of the Agreement, or (ii) the date the District ceases to exist.

Under the SPA, the City may annex the territory of the District for full purposes (a "full-purpose annexation") at any time on or after January 21, 2030 or at any earlier time that the District has achieved 90% build out as defined in the SPA, whichever comes first, and the Developer has been fully reimbursed or the City assumes the obligation to reimburse the Developer. Upon full-purpose annexation the City will abolish the District and assume its debts and obligations. The District cannot be abolished until it achieves 90% build out or the City assumes the obligation to reimburse the Developer. The term "90% build out" means that the public water, sewer and drainage facilities and roads for 90% of the developable land in the District have been constructed.

Upon 90% build out, the City may annex and dissolve the District, take over its assets, assume its obligations, and perform its function. No representation is made that the City will ever annex the District and assume its debt.

THE DEVELOPER

The Role of a Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable

improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

The Developer

The developer in the District is D.R. Horton-Texas, Ltd., a Texas limited partnership (“D.R. Horton” or the “Developer”), which is a subsidiary of D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange as “DHI”. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and D.R. Horton, Inc. is subject to change at any time. Because of the foregoing, financial information concerning the Developer and D.R. Horton, Inc. will neither be updated nor provided following the issuance of the Bonds.

Neither the Developer, nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District’s boundaries.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Approximately 137 acres (734 lots) within the District have been developed as the single-family residential subdivision of Sunset Crossing, Sections 1-7. As of June 30, 2022, the District consisted of 560 complete and occupied homes and 76 complete and unoccupied homes. Additionally, approximately 19 acres (70 lots) are currently under development as Sunset Crossing, Section 8. The remaining land within the District contains approximately 11 acres of reserved park and open space, approximately 80 undevelopable acres, and no additional developable acres.

Homebuilders Active Within the District

D.R. Horton is the sole homebuilder within the District. Prices of new homes being constructed within the District range from approximately \$349,000 to in excess of approximately \$386,000. Homes range in square footage from approximately 1,228 square feet to more than approximately 2,733 square feet.

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(July 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(July 2022)



AERIAL PHOTOGRAPH OF THE DISTRICT



FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 218

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District’s assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District’s tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.50 per \$100 of assessed valuation for water, sewer and drainage operation and maintenance purposes and \$1.50 per \$100 of assessed valuation for road operation and maintenance purposes, and \$0.10 per \$100 of assessed valuation for operation and maintenance of park facilities. The Board levied a 2021 debt service tax rate of \$0.28 per \$100 of assessed valuation and a 2021 maintenance and operation tax rate of \$1.00 per \$100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Road System Maintenance and Operations:	\$1.50 per \$100 of Assessed Valuation.
Parks and Recreational Facilities Maintenance and Operations:	\$0.10 per \$100 of Assessed Valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the debt service requirements on the Bonds. The District levied its initial debt service tax rate for payment of debt service in 2021 of \$0.28 per \$100 of assessed valuation. See “Tax Rate Distribution” herein.

Maintenance and Operations Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by vote of the District’s electors. On May 5, 2018, the Board was authorized to levy such a maintenance and operations tax for water, sanitary sewer drainage and storm sewer facilities in an amount not to exceed \$1.50 per \$100 assessed valuation as well as a maintenance and operations tax for road facilities in an amount not to exceed \$1.50 per \$100 assessed valuation. In addition, the Board also authorized a maintenance and operations tax for park and recreational facilities in an amount not to exceed \$0.10 per \$100 assessed valuation. The Board levied a 2021 maintenance and operation tax rate of \$1.00 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District’s bonds. See “Tax Rate Distribution” herein.

Tax Exemption

As discussed in the section entitled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District has not granted a residential homestead exemption to persons 65 years of age or older or to certain other disabled persons for tax year 2022. See “TAXING PROCEDURES—Property Subject to Taxation by the District.”

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2018–2021 tax years:

Tax Year (a)	Assessed Valuation	Tax Rate per \$100	Tax Levy	% of Current Collections	Tax Year Ending 9/30	Collections as 6/30/2022
2018	\$ 3,661,864	\$ 1.280000	\$ 43,872	100.00%	2019	100.00%
2019	10,664,268	1.280000	136,503	99.59%	2020	99.59%
2020	28,485,879	1.280000	364,619	100.00%	2021	100.00%
2021	77,342,220	1.280000	989,980	98.32%	2022	98.32%

(a) No taxes were levied prior to 2018.

Tax Rate Distribution

	2021 (a)	2020	2019	2018
Utility System Debt Service	\$ 0.08	\$ -	\$ -	\$ -
Road System Debt Service	0.20	-	-	-
Maintenance and Operations	1.00	1.28	1.28	1.28
Total	\$ 1.28	\$ 1.28	\$ 1.28	\$ 1.28

(a) The District anticipates levying a total tax rate of \$1.24 per \$100 of assessed valuation for the 2022 tax year consisting of: a maintenance tax rate of \$0.37 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.66 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.21 per \$100 of assessed valuation.

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the tax years 2018–2022 by type of property.

Type of Property	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation
Land	\$ 27,197,918	\$ 22,225,968	\$ 13,825,668	\$ 10,674,948	\$ 3,734,644
Improvements	88,651,993	56,330,386	14,922,913	23,400	-
Personal Property	30,990	60,150	40,880	-	-
Exemptions	(7,368,904)	(1,274,284)	(303,582)	(34,080)	(72,780)
Uncertified	32,092,216	-	-	-	-
Total	\$ 140,604,213	\$ 77,342,220	\$ 28,485,879	\$ 10,664,268	\$ 3,661,864

Principal Taxpayers

The following represents the 2022 principal taxpayers as a percentage of the certified portion (\$108,511,997) of the 2022 Taxable Assessed Valuation of \$140,604,213 which is categorized by type of property, and their taxable assessed values as of January 1, 2022 in the table below.

Taxpayer	Property Type	2022 Tax Year	% of Tax Roll
DR Horton - Texas Ltd. (a)	Land & Improvements	\$ 7,674,628	7.07%
Hudson SFR Property Holdings II I	Land & Improvements	627,890	0.58%
Individual	Land & Improvements	439,460	0.40%
Individual	Land & Improvements	425,190	0.39%
Individual	Land & Improvements	412,890	0.38%
Individual	Land & Improvements	411,290	0.38%
Individual	Land & Improvements	406,490	0.37%
Individual	Land & Improvements	404,360	0.37%
Individual	Land & Improvements	402,230	0.37%
Individual	Land & Improvements	395,310	0.36%
Total		\$ 11,599,738	10.69%

(a) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2022 Taxable Assessed Valuation of \$140,604,213 (consisting of \$108,511,997 of certified value and \$32,092,216 of uncertified value) and the Estimated Taxable Assessed Valuation as of July 20, 2022, of \$160,303,179. The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District except the Outstanding Bonds and the Bonds:

Average Annual Debt Service Requirements (2023-2047).....	\$ 1,177,005
Tax Rate of \$0.89 on the 2022 Taxable Assessed Valuation produces	\$ 1,188,809
Tax Rate of \$0.78 on the Estimated Taxable Assessed Valuation as of July 20, 2022	\$ 1,187,847
Maximum Annual Debt Service Requirement (2046).....	\$ 1,222,788
Tax Rate of \$0.92 on the 2022 Taxable Assessed Valuation produces	\$ 1,228,881
Tax Rate of \$0.81 on the Estimated Taxable Assessed Valuation as of July 20, 2022	\$ 1,233,533

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT—Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2021 taxes levied by such jurisdictions per \$100 of assessed valuation. No taxes for the 2022 tax year have been levied by any of the overlapping jurisdictions as of the date hereof. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds. See "Debt Service Tax" herein. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate</u>
The District (a)	\$ 1.280000
Fort Bend County	0.438300
Fort Bend County Drainage District	0.014500
Lamar Consolidated independent School District	1.242000
 Estimated Total Tax Rate	 <hr style="width: 100%; border: 0.5px solid black;"/> \$ 2.974800

(a) The District anticipates levying a total tax rate of \$1.24 per \$100 of assessed valuation for the 2022 tax year consisting of: a maintenance tax rate of \$0.37 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.66 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.21 per \$100 of assessed valuation.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Fort Bend County, Texas, the City, or any other political subdivision, will be secured by a continuing direct annual ad valorem property tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS—Source of Payment”. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the 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 property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property.

Infectious Disease Outlook (COVID-19)

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

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston, Texas metropolitan area. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District. See “DEVELOPMENT WITHIN THE DISTRICT.”

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to the City of Houston, Texas, that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA—Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER" and "DEVELOPMENT WITHIN THE DISTRICT."

Maximum Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Taxable Assessed Valuation of property located within the District is \$140,604,213 (see "TAX DATA") and the Estimated Taxable Assessed Valuation as of July 20, 2022, is \$160,303,179. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,222,788 (2046) and the average annual debt service requirements on the Outstanding Bonds and the Bonds will be \$1,177,005 (2023-2047). Assuming no increase to, nor decrease from the 2022 Taxable Assessed Valuation of \$140,604,213, tax rates of \$0.92 and \$0.89 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of July 20, 2022, of \$160,303,179, tax rates of \$0.81 and \$0.78 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

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 Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owner(s)") have the right to seek 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 Order. Except for mandamus, the Bond Order 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 Order 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.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired 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. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the 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 the 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 applicable, 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 the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed 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 area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB area, the HGB area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

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

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

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

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

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

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 is effective June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period ending February 7, 2022. Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Severe Weather; Potential Impact of Natural Disaster

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

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

Marketability

The District has no agreement with any purchaser of the Bonds 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 Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Future Debt

Voters in the District have authorized a total of the following: \$140,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and the refunding of such bonds; \$69,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System and the refunding of such bonds; and \$20,500,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District and the refunding of such bonds.

Following the issuance of the Bonds, \$125,630,000 principal amount of unlimited tax bonds for the Utility System and for the refunding of such bonds; \$63,215,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds; and \$20,500,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District and for the refunding of such bonds will remain authorized but unissued.

The District also has the right to issue certain other additional bonds and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the issuance of the Bonds, the District will owe the Developer approximately \$8,989,000 for District projects for the Utility System and the Road System, the funds for which were advanced by the Developer. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Future and Proposed 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.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond 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 Bond Insurer and of the ratings on the Bonds insured by the Bond 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 "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING."

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

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

DISTRICT DEBT

2021 Certified Taxable Assessed Valuation	\$ 77,342,220	(a)
2022 Taxable Assessed Valuation.....	\$ 140,604,213	(b)
Estimated Taxable Assessed Valuation as of July 20, 2022.....	\$ 160,303,179	(c)
Direct Debt:		
Outstanding Utility Bonds.....	\$ 3,870,000	
Outstanding Road Bonds.....	5,785,000	
The Bonds	<u>10,500,000</u>	
Total.....	\$ 20,155,000	
Estimated Overlapping Debt.....	<u>\$ 6,978,935</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 27,133,935	(d)
Direct Debt Ratio:		
As a percentage of 2022 Taxable Assessed Valuation.....	14.33	%
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022.....	12.57	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Taxable Assessed Valuation.....	19.30	%
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022.....	16.93	%
2021 Tax Rate:		
Utility System Debt Service	\$0.08	
Road System Debt Service	0.20	
Maintenance & Operation	<u>1.00</u>	
Total.....	\$1.28	(e)
Utility System Debt Service Fund (as of August 3, 2022).....	\$ 135,709	(f)
Road System Debt Service Fund (as of August 3, 2022).....	\$ 232,876	
Operating Fund (as of August 3, 2022)	\$ 961,377	
Average Annual Debt Service Requirement (2023-2047).....	\$ 1,177,005	(g)
Maximum Annual Debt Service Requirement (2046).....	\$ 1,222,788	(g)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Average Annual Debt Service Requirement (2023-2047) at 95% Tax Collections		
Based on 2022 Taxable Assessed Valuation.....	\$0.89	
Based on Estimated Taxable Assessed Valuation as of July 20, 2022	\$0.78	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirement (2046) at 95% Collections		
Based on 2022 Taxable Assessed Valuation.....	\$0.92	
Based on Estimated Taxable Assessed Valuation as of July 20, 2022	\$0.81	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2021, provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the taxable assessed value of all taxable property within the District as of January 1, 2022, provided by the Appraisal District. This amount includes \$32,092,216 of uncertified value, which represents 80% of the total uncertified value provided by the Appraisal District which is the estimated minimum amount of uncertified value that will ultimately be certified. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2022 to July 20, 2022. No taxes will be levied on this estimate. See "TAXING PROCEDURES."
- (d) See "Estimated Direct and Overlapping Debt Statement" herein.
- (e) The District anticipates levying a total tax rate of \$1.24 per \$100 of assessed valuation for the 2022 tax year consisting of: a maintenance tax rate of \$0.37 per \$100 of assessed valuation, a Utility System debt service tax rate of \$0.66 per \$100 of assessed valuation, and a Road System debt service tax rate of \$0.21 per \$100 of assessed valuation. See "TAX DATA—Tax Rate Distribution."
- (f) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund or the Road System debt service Fund. \$196,875 of capitalized interest on the Bonds will be deposited to the Utility System Debt Service Fund upon closing, such amount is not included above.
- (g) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT—Debt Service Requirements."

Debt Service Requirements

The following sets forth the debt service requirements on the Outstanding Bonds and the principal and interest requirements on the Bonds.

Year Ending 12/31	Outstanding Debt Service	Plus: The Bonds		Total Debt Service
		Principal	Interest	
2022	\$ 121,891 (a)	\$ -	\$ -	\$ 121,891
2023	528,781	260,000	399,514	1,188,295
2024	525,956	270,000	411,263	1,207,219
2025	517,681	280,000	397,763	1,195,444
2026	509,181	290,000	383,763	1,182,944
2027	510,456	300,000	369,263	1,179,719
2028	507,619	315,000	354,263	1,176,881
2029	506,019	325,000	338,513	1,169,531
2030	509,319	340,000	328,763	1,178,081
2031	512,419	350,000	318,563	1,180,981
2032	515,319	365,000	308,063	1,188,381
2033	518,019	375,000	296,200	1,189,219
2034	525,519	390,000	281,200	1,196,719
2035	527,719	405,000	265,600	1,198,319
2036	529,719	420,000	249,400	1,199,119
2037	536,313	435,000	232,600	1,203,913
2038	537,281	455,000	215,200	1,207,481
2039	538,038	470,000	197,000	1,205,038
2040	548,581	490,000	178,200	1,216,781
2041	548,013	505,000	158,600	1,211,613
2042	551,975	525,000	138,400	1,215,375
2043	555,588	545,000	117,400	1,217,988
2044	558,475	565,000	95,600	1,219,075
2045	561,013	585,000	73,000	1,219,013
2046	563,188	610,000	49,600	1,222,788
2047	-	630,000	25,200	655,200
	<u>\$12,864,078</u>	<u>\$10,500,000</u>	<u>\$6,182,926</u>	<u>\$29,547,004</u>

(a) Excludes the March 1, 2022 debt service requirement in the amount of \$137,676.

Average Annual Debt Service Requirement (2023-2047)	\$1,177,005
Maximum Annual Debt Service Requirement (2046)	\$1,222,788

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service, and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

<u>Taxing Jurisdiction</u>	<u>Tax Year</u>	<u>AV</u>	<u>Debt as of</u>		<u>Overlapping</u>	
			<u>6/30/2022</u>	<u>Percent</u>	<u>Amount</u>	
Fort Bend County	2021	\$ 81,690,999,396	\$ 668,221,248	0.09%	\$ 632,649	
Fort Bend County Drainage District	2021	81,124,392,920	24,530,000	0.10%	23,386	
Lamar Consolidated independent School District	2021	20,867,196,872	1,705,940,000	0.37%	6,322,899	
Total Estimated Overlapping Debt					\$ 6,978,935	
The District Direct Debt (a)					\$ 20,155,000	
Total Direct Debt and Estimated Overlapping Debt					\$ 27,133,935	

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

Direct Debt Ratios:

As a percentage of 2022 Taxable Assessed Valuation.....	14.33 %
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022	12.57 %

Direct and Estimated Overlapping Debt Ratios:

As a percentage of 2022 Taxable Assessed Valuation.....	19.30 %
As a percentage of Estimated Taxable Assessed Valuation as of July 20, 2022	16.93 %

THE SYSTEM

General

The Utility System, the purchase, acquisition and construction of which are being financed by the District with the proceeds of the Bonds, and the Road System, the construction of which will be financed by the District with proceeds of future bond sales, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the Utility Agreement

The District has entered into the Water Supply, Wastewater, and Drainage Services Agreement dated June 27, 2017 with the City for the City to be the wholesale provider of water, wastewater, and drainage services to District (the "Utility Agreement"). Pursuant to the Utility Agreement, the District assumed the responsibility for acquiring, constructing, operating, and maintaining the water distribution, wastewater collection, and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to provide the District with its ultimate capacity needs for water and wastewater service.

Water Supply and Distribution: According to the Utility Agreement, the City has agreed to provide capacity to serve up to 800 equivalent single-family connections (“ESFCs”) within the District.

Wastewater Treatment: According to the Utility Agreement, the City has agreed to provide capacity to serve up to 869 ESFCs of wastewater treatment to the District. The District will utilize 800 ESFCs of permanent wastewater capacity in the City’s wastewater treatment plant.

Drainage: The natural drainage patterns in the District allows for runoff into a drainage channel along Bryan Road that outfalls into Dry Creek.

Floodplain: According to the FEMA Flood Insurance Rate Map Nos. 4857 C0245L and 48157 C02653, no properties within the boundaries of the District are located within the 100-year flood plain.

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater City area that are above the 100-year flood plain have flooded multiple times in the last several years.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Description of the Road System

The roads within the District vary in width in accordance with standards adopted by Fort Bend County, but are sized to accommodate the anticipated traffic demands of full build-out of the property within the District.

Historical Operations of the System

For the District's fiscal years ended 2019 through 2022, the summary below has been prepared by the Financial Advisor for inclusion herein based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information. See "APPENDIX A."

Revenues	Fiscal Year Ending			
	4/30/2022	4/30/2021	4/30/2020	4/30/2019
Water Service	\$ 172,495	\$ 113,193	\$ 47,654	\$ 4,701
Sewer Service	276,086	163,717	56,855	4,639
Fire Service	156,253	91,848	-	-
Property Taxes	764,685	362,285	130,822	46,872
Penalties and Interest	14,869	6,157	3,466	22
Tap Connection and Inspection	411,735	227,802	222,551	116,634
Surface Water Fees	129,434	96,799	40,241	2,182
Miscellaneous	477	503	7,919	2,742
Investment Earnings	306	136	124	23
Total	\$ 1,926,340	\$ 1,062,440	\$ 509,632	\$ 177,815
Expenditures				
Purchased Services	\$ 446,612	\$ 300,829	\$ 128,492	\$ 7,789
Professional Fees	87,185	86,193	75,268	114,012
Contracted Services	467,022	435,362	285,887	58,658
Repairs and Maintenance	102,684	99,072	53,552	8,663
Utilities	2,171	1,275	-	-
Administrative	45,642	36,475	17,894	14,130
Other	4,746	5,561	659	6,600
Capital Outlay	-	49,900	-	-
Total	\$ 1,156,062	\$ 1,014,667	\$ 561,752	\$ 209,852
NET REVENUES (Deficit)	\$ 770,278	\$ 47,773	\$ (52,120)	\$ (32,037)
Other Financing Sources (Uses):				
Developer Advances	\$ -	\$ 69,900	\$ 60,000	\$ 45,000
Beginning fund balance	\$ 138,516	\$ 20,843	\$ 12,963	\$ -
Ending fund balance	\$ 908,794	\$ 138,516	\$ 20,843	\$ 12,963

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order 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 is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA—Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

The Texas Property 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 herein. 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 the responsibility for reviewing and equalizing the values established by the 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 County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

General: 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; certain 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 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District has not granted such exemption. 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 the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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, but not less than \$5,000, if any exemption is granted, 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 District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District. Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax year 2016 and prior applicable years, as

personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory. For tax year 2016 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. The District has taken action to tax Goods-in-Transit. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

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.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Boards by filing a timely petition of 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.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See "Rollback of Operation and Maintenance Tax Rate" below.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 Low Tax Rate District or a Developed District are 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 a rollback 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. For the 2022 tax year, the District was qualified as a "Developing District" by the Board of Directors. 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

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 date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

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 "TAX DATA—Estimated 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. 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 two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS—General" and "INVESTMENT CONSIDERATIONS—Tax Collection Limitations."

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations,

published rulings and court decisions as described below under “TAX MATTERS.” The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by the President or Vice President and Secretary or an Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of security for 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.

No Material Adverse Change

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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 Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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 date 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 Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the 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 and 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 Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, 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 the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Not Qualified Tax-Exempt Obligations

The Bonds are **not** qualified as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders 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 certain information to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Estimated Direct and Overlapping Debt Statement”), “TAX DATA” to the extent available, and “APPENDIX A” (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2022.

Any information so provided shall be prepared in accordance with generally accepted auditing standards 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 if and when the audit report becomes available.

The District’s fiscal year end is currently April 30. Accordingly, it must provide updated information by October 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB through its EMMA system at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders 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 changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding

Bonds consent to the amendment or (b) any qualified professional 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. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District issued its initial series of bonds in 2021, and the District has not failed to comply in any material respect with its undertakings entered into under the Rule 15c2-12.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: “THE DISTRICT” and “THE SYSTEM,” – the Engineer; “THE DEVELOPER,” “DEVELOPMENT WITHIN THE DISTRICT” – the Developer, “TAX DATA” – Myrtle Cruz, Inc. and “THE BONDS,” “THE DISTRICT— Strategic Partnership Agreement Between the District and the City of Rosenberg,” “THE SYSTEM—Description of the Utility Agreement,” “CONTINUING DISCLOSURE OF INFORMATION,” “TAXING PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” – Coats Rose, P.C.

Experts

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the Utility System and the Road System, in particular, that information included in the sections entitled “THE DISTRICT,” and “THE SYSTEM,” has been provided by the Engineer, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned “TAX DATA” has been provided by Assessment of the Southwest, Inc. and the Appraisal District, in reliance upon their authority as experts in appraising and tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity, in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 218 as of the date shown on the first page hereof.

/s/ _____
President, Board of Directors
Fort Bend County Municipal Utility District No. 218

ATTEST:

/s/ _____
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 218

APPENDIX A
Financial Statements of the District

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 218**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

April 30, 2022

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 218
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 218 (the "District"), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 218, as of April 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

***Board of Directors
Fort Bend County Municipal Utility District No. 218
Fort Bend County, Texas***

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are 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 information 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

W. G. Mather & Co., P.C.

Houston, Texas
August 8, 2022

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 218
Management's Discussion and Analysis
April 30, 2022***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 218 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

Fort Bend County Municipal Utility District No. 218
Management's Discussion and Analysis
April 30, 2022

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at April 30, 2022, was negative \$12,700,624. This amount is negative because the District incurs debt to construct public roads which it conveys to Fort Bend County or the Texas Department of Transportation ("TxDOT"). A comparative summary of the District's overall financial position, as of April 30, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 1,498,265	\$ 257,487
Capital assets	16,928,471	10,487,930
Total assets	<u>18,426,736</u>	<u>10,745,417</u>
Current liabilities	112,148	2,128,469
Long-term liabilities	31,015,212	15,408,179
Total liabilities	<u>31,127,360</u>	<u>17,536,648</u>
Net position		
Net investment in capital assets	(1,921,723)	(496,351)
Restricted	371,597	
Unrestricted	(11,150,498)	(6,294,880)
Total net position	<u>\$ (12,700,624)</u>	<u>\$ (6,791,231)</u>

Fort Bend County Municipal Utility District No. 218
Management's Discussion and Analysis
April 30, 2022

The total net position of the District decreased during the current fiscal year by \$5,909,393. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Property taxes, penalties and interest	\$ 1,010,458	\$ 370,776
Water and sewer service	448,581	276,910
Other	698,708	417,088
Total revenues	<u>2,157,747</u>	<u>1,064,774</u>
Expenses		
Customer service operations	1,219,600	964,850
Debt interest and fees	173,400	45,540
Developer interest	381,617	
Debt issuance costs	847,274	45,753
Depreciation	375,813	224,340
Total expenses	<u>2,997,704</u>	<u>1,280,483</u>
Change in net position before other item	(839,957)	(215,709)
Other item		
Transfers to other governments	<u>(5,069,436)</u>	<u>(2,376,787)</u>
Change in net position	(5,909,393)	(2,592,496)
Net position, beginning of year	(6,791,231)	(4,198,735)
Net position, end of year	<u>\$ (12,700,624)</u>	<u>\$ (6,791,231)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of April 30, 2022, were \$1,395,223, which consists of \$908,794 in the General Fund, \$364,766 in the Debt Service Fund and \$121,663 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of April 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	<u>\$ 1,004,372</u>	<u>\$ 249,460</u>
Total liabilities	\$ 78,777	\$ 102,929
Total deferred inflows	16,801	8,015
Total fund balance	908,794	138,516
Total liabilities, deferred inflows and fund balance	<u>\$ 1,004,372</u>	<u>\$ 249,460</u>

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

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 1,926,340	\$ 1,062,440
Total expenditures	<u>(1,156,062)</u>	<u>(1,014,667)</u>
Revenues over expenditures	770,278	47,773
Other changes in fund balance		69,900
Net change in fund balance	<u>\$ 770,278</u>	<u>\$ 117,673</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District

Debt Service Fund

The District issued bonded debt during the current fiscal year pursuant to a Bond Resolution adopted by the Board. As required by the Bond Resolution, a Debt Service Fund was established to account for the accumulation of financial resources restricted for debt service purposes. A summary of the financial position as of April 30, 2022 is as follows:

Total assets	<u>\$ 372,230</u>
Total liabilities	\$ 633
Total deferred inflows	6,831
Total fund balance	364,766
Total liabilities, deferred inflows and fund balance	<u>\$ 372,230</u>

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A summary of activities of the Debt Service Fund for the current year is as follows:

Total revenues	\$ 215,788
Total expenditures	<u>(142,160)</u>
Revenues over expenditures	73,628
Other changes in fund balance	<u>291,138</u>
Net change in fund balance	<u><u>\$ 364,766</u></u>

The District's financial resources in the Debt Service Fund in the current year are from property tax revenues and capitalized interest from the sale of bonds. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of April 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	<u>\$ 121,663</u>	<u>\$ 8,027</u>
Total fund balance	<u>\$ 121,663</u>	<u>\$ 8,027</u>

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

	2022	2021
Total revenues	\$ -	\$ -
Total expenditures	<u>(7,165,226)</u>	<u>(1,971,973)</u>
Revenues under expenditures	(7,165,226)	(1,971,973)
Other changes in fund balance	7,278,862	1,980,000
Net change in fund balance	<u>\$ 113,636</u>	<u>\$ 8,027</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2021 Unlimited Tax Bonds and Series 2021 Unlimited Tax Road Bonds in the current year and Series 2020 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Fort Bend County Municipal Utility District No. 218
Management's Discussion and Analysis
April 30, 2022

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$762,178 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at April 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated/amortized		
Land and improvements	<u>\$ 945,139</u>	<u>\$ 945,139</u>
Capital assets being depreciated/amortized		
Infrastructure	15,674,218	8,857,864
Impact fees	1,154,869	1,154,869
	<u>16,829,087</u>	<u>10,012,733</u>
Less accumulated depreciation/amortization		
Infrastructure	(790,761)	(442,445)
Impact fees	(54,994)	(27,497)
	<u>(845,755)</u>	<u>(469,942)</u>
Depreciable capital assets, net	<u>15,983,332</u>	<u>9,542,791</u>
Capital assets, net	<u>\$ 16,928,471</u>	<u>\$ 10,487,930</u>

Capital asset additions during the current year include the following:

- Sunset Crossing, Bryan Road, Phase 3 – water, sewer, and drainage facilities.
- Sunset Crossing, Sections 3, 4, 5 and 6 – water, sewer, and drainage facilities.
- Sunset Crossing – Lift station, Phase 2.

Additionally, Fort Bend County and TxDOT assumes responsibility (after a one-year maintenance period) for certain road facilities constructed within the boundaries of the District. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended April 30, 2022, capital assets in the amount of \$5,069,436 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Fort Bend County Municipal Utility District No. 218
Management's Discussion and Analysis
April 30, 2022

Long-Term Debt and Related Liabilities

As of April 30, 2022, the District owes approximately \$21,360,212 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$4,237,995 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is accrued when the developer is reimbursed.

During the current year, the District issued \$3,870,000 in unlimited tax bonds and \$5,785,000 in unlimited tax road bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of April 30, 2021.

At April 30, 2022, the District had \$136,130,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$20,500,000 for parks and recreational facilities; and \$63,215,000 for road improvements, \$210,000,000 for refunding bonds issued for water, sanitary sewer, drainage systems; \$30,750,000 for refunding bonds issued for parks and recreational facilities; and \$103,500,000 for refunding bonds issued for road improvements.

Next Year's Budget

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

	<u>2022 Actual</u>	<u>2023 Budget</u>
Total revenues	\$ 1,926,340	\$ 1,955,000
Total expenditures	<u>(1,156,062)</u>	<u>(1,236,750)</u>
Revenues over expenditures	770,278	718,250
Beginning fund balance	138,516	908,794
Ending fund balance	<u><u>\$ 908,794</u></u>	<u><u>\$ 1,627,044</u></u>

Property Taxes

The District's property tax base increased approximately \$51,037,000 for the 2022 tax year from \$77,342,220 to \$128,379,247, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 218
Statement of Net Position and Governmental Funds Balance Sheet
April 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 87,030	\$ 98,447	\$ 124,033	\$ 309,510	\$ -	\$ 309,510
Investments	755,318	307,780		1,063,098		1,063,098
Taxes receivable	16,801	6,831		23,632		23,632
Customer service receivables	95,563			95,563		95,563
Internal balances	43,198	(40,828)	(2,370)			
Prepaid items	6,462			6,462		6,462
Capital assets not being depreciated					945,139	945,139
Capital assets, net					15,983,332	15,983,332
Total Assets	\$ 1,004,372	\$ 372,230	\$ 121,663	\$ 1,498,265	16,928,471	18,426,736
Liabilities						
Other payables	\$ 20,827	\$ 633	\$ -	\$ 21,460		21,460
Customer deposits	57,950			57,950		57,950
Accrued interest payable					32,738	32,738
Due to developer					21,360,212	21,360,212
Long-term debt						
Due after one year					9,655,000	9,655,000
Total Liabilities	78,777	633		79,410	31,047,950	31,127,360
Deferred Inflows of Resources						
Deferred property taxes	16,801	6,831		23,632	(23,632)	
Fund Balance/Net Position						
Fund Balance						
Nonspendable	6,462			6,462	(6,462)	
Restricted		364,766	121,663	486,429	(486,429)	
Unassigned	902,332			902,332	(902,332)	
Total Fund Balance	908,794	364,766	121,663	1,395,223	(1,395,223)	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,004,372	\$ 372,230	\$ 121,663	\$ 1,498,265		
Net Position						
Net investment in capital assets					(1,921,723)	(1,921,723)
Restricted for debt service					371,597	371,597
Unrestricted					(11,150,498)	(11,150,498)
Total Net Position					\$ (12,700,624)	\$ (12,700,624)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 218
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended April 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$ 172,495	\$ -	\$ -	\$ 172,495	\$ -	\$ 172,495
Sewer service	276,086			276,086		276,086
Fire service	156,253			156,253		156,253
Property taxes	764,685	211,963		976,648	13,333	989,981
Penalties and interest	14,869	3,322		18,191	2,286	20,477
Tap connection and inspection	411,735			411,735		411,735
Surface water	129,434			129,434		129,434
Miscellaneous	477	130		607		607
Investment earnings	306	373		679		679
Total Revenues	1,926,340	215,788		2,142,128	15,619	2,157,747
Expenditures/Expenses						
Customer service operations						
Purchased services	446,612			446,612		446,612
Professional fees	87,185	1,258	48,143	136,586		136,586
Contracted services	467,022	8,370		475,392		475,392
Repairs and maintenance	102,684			102,684		102,684
Utilities	2,171			2,171		2,171
Administrative	45,642	4,426	530	50,598		50,598
Other	4,746	811		5,557		5,557
Capital outlay			5,828,757	5,828,757	(5,828,757)	
Debt service						
Interest and fees		127,295	58,905	186,200	(12,800)	173,400
Developer interest			381,617	381,617		381,617
Debt issuance costs			847,274	847,274		847,274
Depreciation and amortization					375,813	375,813
Total Expenditures/Expenses	1,156,062	142,160	7,165,226	8,463,448	(5,465,744)	2,997,704
Revenues Over (Under)						
Expenditures/Expenses	770,278	73,628	(7,165,226)	(6,321,320)	5,481,363	(839,957)
Other Financing Sources/(Uses)						
Repayment of bond anticipation note			(1,980,000)	(1,980,000)	1,980,000	
Proceeds from sale of bonds		291,138	9,363,862	9,655,000	(9,655,000)	
Repayment of developer advances			(105,000)	(105,000)	105,000	
Other Item						
Transfers to other governments					(5,069,436)	(5,069,436)
Net Change in Fund Balance	770,278	364,766	113,636	1,248,680	(1,248,680)	
Change in Net Position					(5,909,393)	(5,909,393)
Fund Balance/Net Position						
Beginning of the year	138,516		8,027	146,543	(6,937,774)	(6,791,231)
End of the year	\$ 908,794	\$ 364,766	\$ 121,663	\$ 1,395,223	\$ (14,095,847)	\$ (12,700,624)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 218 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to Acts the 84th Legislature of Texas, Regular Session, 2015, as codified at Chapter 7927, Texas Special District Local Laws Code, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 16, 2018 and the first bonds were issued on July 20, 2021.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. During the current year, financial resources included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At April 30, 2022, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Impact fees	Remaining life of contract

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

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	1,395,223
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	17,774,226
Less accumulated depreciation		<u>(845,755)</u>
Change due to capital assets		16,928,471
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net		(9,655,000)
Accrued interest payable on bonds		<u>(32,738)</u>
Change due to long-term debt		(9,687,738)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(21,360,212)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		23,632
Total net position - governmental activities	<u>\$</u>	<u>(12,700,624)</u>

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

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

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

Net change in fund balances - total governmental funds \$ 1,248,680

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. 15,619

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

Capital outlays	\$	5,828,757	
Depreciation/amortization expense		(375,813)	
			5,452,944

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

Issuance of long term debt		(9,655,000)	
Repayment of bond anticipation note		1,980,000	
Interest expense accrual		12,800	
			(7,662,200)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 105,000

The District conveys certain public roads to Fort Bend County and TxDOT upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (5,069,436)

Change in net position of governmental activities		\$ (5,909,393)	
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Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of April 30, 2022, the District’s investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexSTAR	General	\$ 755,318			
	Debt Service	307,780			
		<u>\$ 1,063,098</u>	<u>100%</u>	AAA	39 days

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 3 – Deposits and Investments (continued)

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. Hilltop Securities provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

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

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

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at April 30, 2022, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 40,828	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	2,370	Bond application fees paid by the General Fund

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

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended April 30, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated/amortized			
Land and improvements	\$ 945,139		\$ 945,139
Capital assets being depreciated/amortized			
Infrastructure	8,857,864	6,816,354	15,674,218
Impact fees	1,154,869		1,154,869
	<u>10,012,733</u>	<u>6,816,354</u>	<u>16,829,087</u>
Less accumulated depreciation/amortization			
Infrastructure	(442,445)	(348,316)	(790,761)
Impact fees	(27,497)	(27,497)	(54,994)
	<u>(469,942)</u>	<u>(375,813)</u>	<u>(845,755)</u>
Capital assets being depreciated/amortized, net	<u>9,542,791</u>	<u>6,440,541</u>	<u>15,983,332</u>
Capital assets, net	<u>\$ 10,487,930</u>	<u>\$ 6,440,541</u>	<u>\$ 16,928,471</u>

Depreciation and amortization expense for the current year was \$375,813.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$1,980,000. This BAN was repaid on July 20, 2021 with proceeds from the issuance of the District’s Series 2021 Unlimited Tax Bonds.

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

Beginning balance	\$ 1,980,000
Amounts repaid	<u>(1,980,000)</u>
Ending balance	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 7 – Due to Developer

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

The District’s developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	\$ 15,408,179
Developer reimbursements	(5,828,757)
Developer funded construction and adjustments	11,885,790
Repayment of operating advances	(105,000)
Due to developer, end of year	<u>\$ 21,360,212</u>

In addition, the District will owe the developer approximately \$4,237,995, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Sunset Crossing:			
Section 7 - water, sewer, drainage	\$ 1,284,231	\$ 1,138,271	\$ 145,960
Section 7 - paving	1,242,953	1,114,748	128,205
Section 8 - water, sewer, drainage	893,098	788,583	104,515
Section 8 - paving	817,713	811,023	6,690
	<u>\$ 4,237,995</u>	<u>\$ 3,852,625</u>	<u>\$ 385,370</u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 9,655,000</u>
Due within one year	<u>\$ -</u>

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at April 30, 2022, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2021	\$ 3,870,000	\$ 3,870,000	2.00% - 4.50%	September 1, 2023 - 2046	September 1, March 1	September 1, 2026
2021 Road	5,785,000	5,785,000	2.00% - 4.50%	September 1, 2023 - 2046	September 1, March 1	September 1, 2026
	<u>\$ 9,655,000</u>					

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

At April 30, 2022, the District had authorized but unissued bonds in the amount of \$136,130,000 for the purposes of acquiring, constructing and improving the water, sewer and drainage systems within the District; \$20,500,000 for park and recreational facilities; and \$63,215,000 for road improvements; \$210,000,000 for refunding bonds issued for water, sanitary sewer and drainage systems; \$30,750,000 for refunding bonds issued for parks and recreational facilities; and \$103,500,000 for refunding bonds issued for road improvements.

On July 20, 2021, the District issued its \$3,870,000 Series 2021 Unlimited Tax Bonds at a net effective interest rate of 2.440961%. Proceeds of the bonds were used to (1) reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and operating advances (2) to repay a \$1,980,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

On September 14, 2021, the District issued its \$5,785,000 Series 2021 Unlimited Tax Road Bonds at a net effective interest rate of 2.576835%. Proceeds of the bonds were used to (1) reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and (2) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	9,655,000
Bonds payable, end of year	<u>\$ 9,655,000</u>

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 8 – Long-Term Debt (continued)

As of April 30, 2022, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2023	\$ -	\$ 243,782	\$ 243,782
2024	285,000	237,369	522,369
2025	295,000	224,319	519,319
2026	300,000	210,931	510,931
2027	305,000	197,319	502,319
2028	320,000	184,037	504,037
2029	330,000	174,319	504,319
2030	335,000	167,669	502,669
2031	345,000	160,869	505,869
2032	355,000	153,869	508,869
2033	365,000	146,669	511,669
2034	375,000	139,269	514,269
2035	390,000	131,619	521,619
2036	400,000	123,719	523,719
2037	410,000	115,515	525,515
2038	425,000	106,796	531,796
2039	435,000	97,658	532,658
2040	445,000	88,309	533,309
2041	465,000	78,297	543,297
2042	475,000	67,494	542,494
2043	490,000	56,282	546,282
2044	505,000	44,531	549,531
2045	520,000	32,244	552,244
2046	535,000	19,600	554,600
2047	550,000	6,593	556,593
	<u>\$ 9,655,000</u>	<u>\$ 3,209,078</u>	<u>\$ 12,864,078</u>

Note 9 – Property Taxes

On May 9, 2018, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value, \$1.50 for the maintenance of road facilities, and \$0.10 for the maintenance of park facilities. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 218
Notes to Financial Statements
April 30, 2022

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.28 per \$100 of assessed value, of which \$1.00 was allocated to maintenance and operations, \$0.08 was allocated to water, sewer and drainage debt service, and \$0.20 was allocated to road debt service. The resulting tax levy was \$989,980 on the adjusted taxable value of \$77,342,220.

Total property taxes receivable, at April 30, 2022, consisted of the following:

Current year taxes receivable	\$ 20,783
Prior years taxes receivable	563
	<u>21,346</u>
Penalty and interest receivable	2,286
Total property taxes receivable	<u><u>\$ 23,632</u></u>

Note 10 – Transfers to Other Governments

Fort Bend County and TxDOT assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, road facilities are considered to be capital assets of Fort Bend County and TxDOT, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developer is subsequently reimbursed. For the year ended April 30, 2022, the District recorded transfers to other governments in the amount of \$5,069,436 for road facilities constructed by a developer within the District.

Note 11 – Water Supply, Wastewater and Drainage Services Agreement

On June 27, 2017, D.R. Horton, L.P. (the “Developer”) entered into a Water Supply and Wastewater Services Agreement (the “Agreement”) with the City of Rosenberg, Texas (the “City”), as subsequently amended on February 6, 2018 and February 18, 2020. The Agreement was assigned to the District by the Developer on October 30, 2018. Under the terms of the Agreement, the District will obtain water supply services from the City on a permanent basis. The District will pay the City a monthly fee for these services based on the current rates of the City’s own customers. During the year ended April 30, 2022, the District incurred expenditures of \$446,612 for water and wastewater used by customers of the District.

Note 11 – Water Supply, Wastewater and Drainage Services Agreement (continued)

The District will pay a connection charge to the City, for each equivalent single-family connection (ESFC), to cover capital costs incurred by the City related to the provision of water supply and wastewater facilities. The City will reserve water capacity to the District for payment of the connection charges. The City agreed to provide up to 869 ESFCs to the District, of which 69 are exclusively dedicated to the Pioneer Community Center.

Note 12 – Strategic Partnership Agreement

On January 21, 2020, the District entered into a Strategic Partnership Agreement (the “Agreement”), with the City of Rosenberg (the “City”). Pursuant to the Agreement, the City will not fully annex the District until the earlier one of the following conditions have been met: 1) until ninety percent of the District’s water, wastewater, drainage and paving facilities (the “Facilities”) have been constructed (“Substantial Completion”) or 10 years from the date of the Agreement, whichever comes first and its developer have been reimbursed as allowed by the TCEQ; 2) at a point earlier than Substantial Completion if the City agrees that the developer may advance funds for the Facilities until Substantial Completion and the City will reimburse the developer as allowed by the TCEQ; or 3) at the expiration of the Agreement’s 25 year term. In addition, the City may annex, for limited purposes, any commercial portions of the District at any given time. In such event, any annexed commercial property shall remain in the boundaries of the District which the District continues to exercise all powers and functions of a municipal utility district.

Note 13 – Risk Management

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

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Required Supplementary Information

*Fort Bend County Municipal Utility District No. 218
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended April 30, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 142,000	\$ 172,495	\$ 30,495
Sewer service	123,000	276,086	153,086
Fire service	65,000	156,253	91,253
Property taxes	290,900	764,685	473,785
Penalties and interest		14,869	14,869
Tap connection and inspection	253,000	411,735	158,735
Surface water	85,000	129,434	44,434
Miscellaneous		477	477
Investment earnings		306	306
Total Revenues	<u>958,900</u>	<u>1,926,340</u>	<u>967,440</u>
Expenditures			
Customer service operations			
Purchased services	413,000	446,612	(33,612)
Professional fees	98,500	87,185	11,315
Contracted services	298,200	467,022	(168,822)
Repairs and maintenance	100,000	102,684	(2,684)
Utilities		2,171	(2,171)
Administrative	37,100	45,642	(8,542)
Other	4,000	4,746	(746)
Total Expenditures	<u>950,800</u>	<u>1,156,062</u>	<u>(205,262)</u>
Revenues Over Expenditures	8,100	770,278	762,178
Fund Balance			
Beginning of the year	138,516	138,516	
End of the year	<u>\$ 146,616</u>	<u>\$ 908,794</u>	<u>\$ 762,178</u>

Fort Bend County Municipal Utility District No. 218
Notes to Required Supplementary Information
April 30, 2022

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 218
TSI-1. Services and Rates
April 30, 2022

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 16.00	2,000	N	\$ 2.55	2,001 to 10,000
				\$ 2.65	10,001 to 15,000
				\$ 2.75	15,001 to 20,000
				\$ 2.95	20,001 to no limit
Wastewater:	\$ 17.00	2,000	N	\$ 2.70	2,001 to 5,000
				\$ 2.97	5,001 to no limit
Surcharge:	\$ 2.60	-0-	N	\$ 2.60	1,000 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 62.40 Wastewater \$ 38.60

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	630	630	x 1.0	630
1"	1	1	x 2.5	3
1.5"	2	2	x 5.0	10
2"	5	5	x 8.0	40
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
Total Water	638	638		683
Total Wastewater	632	632	x 1.0	632

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 218
TSI-1. Services and Rates
April 30, 2022

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

Gallons pumped into system:	<u>51,719,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>51,719,000</u>	(Gallons billed / Gallons pumped)
		<u>100.00%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of Rosenberg

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

If Yes, by whom? _____

See accompanying auditors' report.

*Fort Bend County Municipal Utility District No. 218
 TSI-2. General Fund Expenditures
 For the Year Ended April 30, 2022*

Purchased services	<u>\$ 446,612</u>
Professional fees	
Legal	35,627
Audit	12,500
Engineering	39,058
	<u>87,185</u>
Contracted services	
Bookkeeping	16,669
Operator	16,686
Garbage collection	83,814
Tap connection and inspection	175,125
Tax assessment and collection	129
Fire service	174,599
	<u>467,022</u>
Repairs and maintenance	<u>102,684</u>
Utilities	<u>2,171</u>
Administrative	
Directors fees	7,350
Printing and office supplies	26,745
Insurance	7,878
Other	3,669
	<u>45,642</u>
Other	<u>4,746</u>
Total expenditures	<u><u>\$ 1,156,062</u></u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-3. Investments
April 30, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexStar	Variable	N/A	\$ 755,318
Debt Service			
TexStar	Variable	N/A	146,604
TexStar	Variable	N/A	161,176
			<u>307,780</u>
Total - All Funds			<u>\$ 1,063,098</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-4. Taxes Levied and Receivable
April 30, 2022

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 8,015	\$ -	\$ -	\$ 8,015
2021 Original Tax Levy	775,337	62,027	155,067	992,431
Adjustments	(1,915)	(153)	(383)	(2,451)
Adjusted Tax Levy	773,422	61,874	154,684	989,980
Total to be accounted for	781,437	61,874	154,684	997,995
Tax collections:				
Current year	757,185	60,575	151,437	969,197
Prior years	7,452			7,452
Total Collections	764,637	60,575	151,437	976,649
Taxes Receivable, End of Year	\$ 16,800	\$ 1,299	\$ 3,247	\$ 21,346
Taxes Receivable, By Years				
2021	\$ 16,237	\$ 1,299	\$ 3,247	\$ 20,783
2019	563			563
Taxes Receivable, End of Year	\$ 16,800	\$ 1,299	\$ 3,247	\$ 21,346
	2021	2020	2019	2018
Property Valuations:				
Land	\$ 22,225,968	\$ 13,825,668	\$ 10,674,948	\$ 3,736,475
Improvements	56,330,386	14,922,913		
Personal Property	60,150	40,880	23,400	
Exemptions	(1,274,284)	(303,582)	(34,080)	(74,611)
Total Property Valuations	\$ 77,342,220	\$ 28,485,879	\$ 10,664,268	\$ 3,661,864
Tax Rates per \$100 Valuation:				
Maintenance and operations	\$ 1.00	\$ 1.28	\$ 1.28	\$ 1.28
Water, sewer and drainage debt service	0.08			
Road debt service	0.20			
Total Tax Rates per \$100 Valuation	\$ 1.28	\$ 1.28	\$ 1.28	\$ 1.28
Adjusted Tax Levy:	\$ 989,980	\$ 364,619	\$ 136,503	\$ 46,872
Percentage of Taxes Collected to Taxes Levied **	97.90%	100.00%	99.59%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on May 9, 2018

* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.50 on May 9, 2018

* Maximum Park Maintenance Tax Rate Approved by Voters: \$0.10 on May 9, 2018

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

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 94,713	\$ 94,713
2024	110,000	92,238	202,238
2025	115,000	87,175	202,175
2026	115,000	82,000	197,000
2027	120,000	76,713	196,713
2028	125,000	71,981	196,981
2029	130,000	68,650	198,650
2030	130,000	66,050	196,050
2031	135,000	63,400	198,400
2032	140,000	60,650	200,650
2033	145,000	57,800	202,800
2034	150,000	54,850	204,850
2035	155,000	51,800	206,800
2036	160,000	48,650	208,650
2037	165,000	45,296	210,296
2038	170,000	41,737	211,737
2039	175,000	38,072	213,072
2040	180,000	34,300	214,300
2041	190,000	30,369	220,369
2042	195,000	26,156	221,156
2043	200,000	21,713	221,713
2044	205,000	17,156	222,156
2045	215,000	12,431	227,431
2046	220,000	7,538	227,538
2047	225,000	2,530	227,530
	<u>\$ 3,870,000</u>	<u>\$ 1,253,968</u>	<u>\$ 5,123,968</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-5. Long-Term Debt Service Requirements
Series 2021 Road--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 149,069	\$ 149,069
2024	175,000	145,131	320,131
2025	180,000	137,144	317,144
2026	185,000	128,931	313,931
2027	185,000	120,606	305,606
2028	195,000	112,056	307,056
2029	200,000	105,669	305,669
2030	205,000	101,619	306,619
2031	210,000	97,469	307,469
2032	215,000	93,219	308,219
2033	220,000	88,869	308,869
2034	225,000	84,419	309,419
2035	235,000	79,819	314,819
2036	240,000	75,069	315,069
2037	245,000	70,219	315,219
2038	255,000	65,059	320,059
2039	260,000	59,586	319,586
2040	265,000	54,009	319,009
2041	275,000	47,928	322,928
2042	280,000	41,338	321,338
2043	290,000	34,569	324,569
2044	300,000	27,375	327,375
2045	305,000	19,813	324,813
2046	315,000	12,062	327,062
2047	325,000	4,063	329,063
	<u>\$ 5,785,000</u>	<u>\$ 1,955,110</u>	<u>\$ 7,740,110</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
April 30, 2022

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2023	\$ -	\$ 243,782	\$ 243,782
2024	285,000	237,369	522,369
2025	295,000	224,319	519,319
2026	300,000	210,931	510,931
2027	305,000	197,319	502,319
2028	320,000	184,037	504,037
2029	330,000	174,319	504,319
2030	335,000	167,669	502,669
2031	345,000	160,869	505,869
2032	355,000	153,869	508,869
2033	365,000	146,669	511,669
2034	375,000	139,269	514,269
2035	390,000	131,619	521,619
2036	400,000	123,719	523,719
2037	410,000	115,515	525,515
2038	425,000	106,796	531,796
2039	435,000	97,658	532,658
2040	445,000	88,309	533,309
2041	465,000	78,297	543,297
2042	475,000	67,494	542,494
2043	490,000	56,282	546,282
2044	505,000	44,531	549,531
2045	520,000	32,244	552,244
2046	535,000	19,600	554,600
2047	550,000	6,593	556,593
	<u>\$ 9,655,000</u>	<u>\$ 3,209,078</u>	<u>\$ 12,864,078</u>

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-6. Change in Long-Term Bonded Debt
April 30, 2022

	Bond Issue		Totals
	Series 2021	Series 2021 Road	
Interest rate	2.00% - 4.50%	2.00% - 4.50%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	9/1/23 - 9/1/46	9/1/23 - 9/1/46	
Beginning bonds outstanding	\$ -	\$ -	\$ -
Bonds issued	3,870,000	5,785,000	9,655,000
Ending bonds outstanding	<u>\$ 3,870,000</u>	<u>\$ 5,785,000</u>	<u>\$ 9,655,000</u>
Interest paid during fiscal year	<u>\$ 63,142</u>	<u>\$ 74,534</u>	<u>\$ 137,676</u>
Paying agent's name and city All Series	<u>Zions Bancorporation, N.A., Houston, Texas</u>		

	Water, Sewer and Drainage Bonds	Park Bonds	Road Bonds	Water, Sewer and Drainage Refunding Bonds
Bond Authority:				
Amount Authorized by Voters	\$ 140,000,000	\$ 20,500,000	\$ 69,000,000	\$ 210,000,000
Amount Issued	(3,870,000)		(5,785,000)	
Remaining To Be Issued	<u>\$ 136,130,000</u>	<u>\$ 20,500,000</u>	<u>\$ 63,215,000</u>	<u>\$ 210,000,000</u>
	Parks Facilities Refunding Bonds	Road Refunding Bonds		
Bond Authority:				
Amount Authorized by Voters	\$ 30,750,000	\$ 103,500,000		
Amount Issued				
Remaining To Be Issued	<u>\$ 30,750,000</u>	<u>\$ 103,500,000</u>		

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

Debt Service Fund cash and investment balances as of April 30, 2022:	<u>\$ 406,227</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 514,563</u>

See accompanying auditors' report.

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Fort Bend County Municipal Utility District No. 218
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Four Fiscal Years

	Amounts			
	2022	2021	2020	2019
Revenues				
Water service	\$ 172,495	\$ 113,193	\$ 47,654	\$ 4,701
Sewer service	276,086	163,717	56,855	4,639
Fire service	156,253	91,848		
Property taxes	764,685	362,285	130,822	46,872
Penalties and interest	14,869	6,157	3,466	22
Tap connection and inspection	411,735	227,802	222,551	116,634
Surface water	129,434	96,799	40,241	2,182
Miscellaneous	477	503	7,919	2,742
Investment earnings	306	136	124	23
Total Revenues	1,926,340	1,062,440	509,632	177,815
Expenditures				
Customer service operations				
Purchased services	446,612	300,829	128,492	7,789
Professional fees	87,185	86,193	75,268	114,012
Contracted services	467,022	435,362	285,887	58,658
Repairs and maintenance	102,684	99,072	53,552	8,663
Utilities	2,171	1,275		
Administrative	45,642	36,475	17,894	14,130
Other	4,746	5,561	659	6,600
Capital outlay		49,900		
Total Expenditures	1,156,062	1,014,667	561,752	209,852
Revenues Over/(Under) Expenditures	\$ 770,278	\$ 47,773	\$ (52,120)	\$ (32,037)
Total Active Retail Water Connections	638	407	229	86
Total Active Retail Wastewater Connections	632	400	224	82

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2022	2021	2020	2019
9%	11%	9%	2%
14%	15%	11%	3%
8%	9%		
40%	34%	26%	26%
1%	1%	1%	*
21%	21%	43%	66%
7%	9%	8%	1%
*	*	2%	2%
*	*	*	*
100%	100%	100%	100%

23%	28%	25%	4%
5%	8%	15%	64%
24%	41%	56%	33%
5%	9%	11%	5%
*	*		
2%	3%	4%	8%
*	1%	*	4%
	5%		
59%	95%	111%	118%
41%	5%	(11%)	(18%)

*Fort Bend County Municipal Utility District No. 218
 TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
 For the Current Fiscal Year*

	Amounts	Percent of Fund Total Revenues
	<u>2022</u>	<u>2022</u>
Revenues		
Property taxes	\$ 211,963	98%
Penalties and interest	3,322	2%
Accrued interest on bonds sold		
Miscellaneous	130	*
Investment earnings	373	*
Total Revenues	<u>215,788</u>	<u>100%</u>
Expenditures		
Tax collection services	14,054	7%
Other	811	*
Debt service		
Interest and fees	127,295	59%
Total Expenditures	<u>142,160</u>	<u>66%</u>
Revenues Over Expenditures	<u>\$ 73,628</u>	<u>34%</u>

*Percentage is negligible

See accompanying auditors' report.

Fort Bend County Municipal Utility District No. 218
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended April 30, 2022

Complete District Mailing Address: 9 Greenway Plaza, Suite 1100, Houston, Texas 77046
District Business Telephone Number: (713) 651-0111
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): November 15, 2021
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Rene Casanova	06/20 to 05/24	\$ 1,500	\$ 128	President
Janie Collier	06/19 to 05/22	1,800	101	Vice President
Elizabeth Reeves	02/20 to 05/24	1,500	161	Secretary
Susan Hill	12/21 to 05/25	300		Assistant Secretary
Patricia Miller	02/22 to 05/26	450		Assistant Secretary
Kimberly Evans	02/20 to 05/22	750		Former Director
Sabrina Alaqueinez-Wallin	02/20 to 05/22	1,050	130	Former Director
Consultants				
Coats Rose, P.C.	2018			Attorney
<i>General legal fees</i>		\$ 37,573		
<i>Bond counsel</i>		274,571		
Si Environmental, LLC	2018	324,028		Operator
Myrtle Cruz, Inc.	2018	28,009		Bookkeeper
Assessments of the Southwest	2018	5,575		Tax Collector
Fort Bend Central Appraisal District	Legislation	3,795		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2018	1,258		Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	2018	41,718		Engineer
McGrath & Co., PLLC	2019	24,100		Auditor
Robert W. Baird & Co.	2018	197,866		Financial Advisor

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