

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 THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 34684T

**RATINGS: Underlying “Baa2” Moody’s
BAM Insured “AA” (stable outlook) S&P**

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$14,170,000

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

(A political subdivision of the State of Texas, located in Fort Bend and Waller Counties, Texas)

UNLIMITED TAX BONDS

SERIES 2022

Dated: September 1, 2022

Due: April 1 (as shown below)

Interest on the \$14,170,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) will accrue from September 1, 2022, and will be payable on April 1 and October 1 of each year, commencing April 1, 2023. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$285,000	2025	5.50%	2.60%	\$375,000	2031(b)	3.00%	3.30%
\$295,000	2026	5.50%	2.70%	\$395,000	2032(b)	3.25%	3.45%
\$310,000	2027	5.50%	2.80%	\$415,000	2033(b)	4.00%	3.50%
\$325,000	2028	5.50%	2.90%	\$435,000	2034(b)	4.00%	3.60%
\$340,000	2029(b)	5.50%	2.95%	\$455,000	2035(b)	4.00%	3.70%
\$360,000	2030(b)	3.00%	3.15%	\$475,000	2036(b)	4.00%	3.80%

\$1,025,000 4.000% Term Bond Due April 1, 2038 to Yield 4.00% (a) (b) (c)
 \$1,730,000 4.000% Term Bond Due April 1, 2041 to Yield 4.10% (a) (b) (c)
 \$1,995,000 4.000% Term Bond Due April 1, 2044 to Yield 4.15% (a) (b) (c)
 \$2,300,000 4.000% Term Bond Due April 1, 2047 to Yield 4.20% (a) (b) (c)
 \$2,655,000 4.125% Term Bond Due April 1, 2050 to Yield 4.28% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (defined herein) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2029, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2028, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Fort Bend-Waller Counties Municipal Utility District No. 3 (the “District”) to: (1) reimburse the Developer (defined herein) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related engineering and testing costs; (2) fund certain water and wastewater impact fees to the City of Katy; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay issuance and administrative expenses related to the Bonds. See “USE OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Fort Bend County, Waller County, or the City of Katy is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about September 22, 2022.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1
SALE AND DISTRIBUTION OF THE BONDS.....	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12.....	2
MUNICIPAL BOND RATING	3
BOND INSURANCE.....	3
OFFICIAL STATEMENT SUMMARY	6
DEBT SERVICE REQUIREMENTS	10
INTRODUCTION.....	11
RISK FACTORS.....	11
USE OF BOND PROCEEDS	20
THE DISTRICT.....	20
THE DISTRICT’S DEVELOPER	25
UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY.....	25
DESCRIPTION OF THE SYSTEM	26
MANAGEMENT OF THE DISTRICT	27
DISTRICT INVESTMENT POLICY.....	28
DISTRICT DEBT	29
DISTRICT TAX DATA	30
TAXING PROCEDURES	32
CONSOLIDATION	36
THE BONDS.....	36
BOOK-ENTRY-ONLY SYSTEM.....	40
LEGAL MATTERS.....	41
TAX MATTERS.....	42
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS	44
OFFICIAL STATEMENT.....	44
MISCELLANEOUS.....	45
INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT	A
PHOTOGRAPHS TAKEN IN THE DISTRICT.....	B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	C

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.

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

Any information and expressions of opinion herein contained are subject to change 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.

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

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.00% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.213261%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial number of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds after their initial sale by the District. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the 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 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the resolution authorizing the issuance of the Bonds (the "Bond Resolution"), 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 material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "DISTRICT DEBT," "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended ("Rule 15c2-12" or the "Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is March 31. Accordingly, it must provide updated information by September 30 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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants,

events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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 and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to Moody's Investors Service, Inc. ("Moody's") which assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.5 million, \$187.1 million and \$303.4 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$14,170,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are dated September 1, 2022. The Bonds represent the seventh series of bonds to be issued by Fort Bend-Waller Counties Municipal Utility District No. 3 (the "District"). The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), an election held within the District, and a resolution adopted by the City of Katy, Texas (the "City") approving the sale of the Bonds. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any other political subdivision or agency. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2029, are subject to early redemption, in whole or from time to time in part, on April 1, 2028, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2038, 2041, 2044, 2047, and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2037, 2039, 2042, 2045, and 2048, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (defined herein) for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related engineering and testing costs; (2) fund certain water and wastewater impact fees to the City; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay issuance and administrative expenses related to the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Payment Record:** The District has previously issued four (4) series of unlimited tax bonds and two (2) series of unlimited tax road bonds, of which \$27,725,000 principal amount was outstanding as of June 1, 2022 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- NOT Qualified Tax Exempt Obligations:** The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.
- Municipal Bond Rating:** In connection with the sale of the Bonds the District made application to Moody's which assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only

the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance:

S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Description:

The District is a municipal utility district created by an order of the TCEQ effective January 29, 2015. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District, as it was originally created, included approximately 388 acres. Since its creation, the District has not excluded any tracts of land and has not annexed any other tracts of land. The District is located entirely within the corporate limits of the City. The District is located south of Interstate Highway 10, approximately three (3) miles west of the City's central business district and approximately 31 miles west of the central business district of the City of Houston, Texas. The District is generally bordered by the Willow Fork drainage channel on the north, an existing single-family residential development within Willow Point Municipal Utility District to the east, an existing single-family residential development within Willow Creek Farms Municipal Utility District to the west, and an existing single-family residential development within Fort Bend County Municipal Utility District No. 151 to the south. Residents gain access to the District by traveling west from the City's central business district on U.S. Highway 90 and south on Pederson Road. According to the District's engineer, none of the developed land or developable land within the District would be subject to flooding during a 100-year flood. See "THE DISTRICT – Authority" and "– Description and Location."

Development of the District:

The District has been developed for predominantly single-family residential purposes in the subdivision known as Young Ranch. Homebuilding in the District has taken place in Young Ranch, Sections 1 – 12. As of June 1, 2022, the District included approximately 878 completed homes (all of which have been sold to homebuyers), four (4) homes under construction (all of which were under contract), and no remaining lots. Homes in the District have been constructed on 55-foot, 60-foot, 70-foot, 75-foot, 80-foot, and 85-foot lots by Lennar Homes of Texas Land and Construction, Beazer Homes, and M/I Homes. According to the builders, homes have been marketed in the \$250,000 - \$549,000 price range. Commercial building development in the District has occurred on approximately three (3) acres and includes a child care facility, a children's learning center, a pet supply store, a fitness center, and a nail salon. See "THE DISTRICT – Status of Residential Development," "– Commercial Development," "– Aerial Photograph," and "APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT."

Summary of Land Uses:

As of June 1, 2022, the District included approximately 284 acres that have been developed and improved for single-family residential purposes, approximately three (3) acres that have been developed and improved for commercial purposes, no remaining developable acres, and approximately 101 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, pipeline easements, a lift station site, a drill site, a Katy Independent School District elementary school site, and a recreation center and park facilities serving the Young Ranch subdivision. See "THE DISTRICT – Status of Land Development/Land Uses in the District."

The Developer:

Effective January 14, 2014, M/I Homes of Houston LLC ("M/I"), Beazer Homes Texas L.P. ("Beazer"), and RH of Texas Limited Partnership, subsequently known as CalAtlantic Homes of Texas ("CalAtlantic") entered into a Memorandum of Joint Ownership and Development Agreement (the "Development Agreement"). M/I, Beazer, and CalAtlantic are individually referred to herein as "Members" and are referred to herein collectively as the "Developer." On February 12, 2018, Lennar Corporation completed the acquisition of CalAtlantic through a transaction in which CalAtlantic was merged into a wholly owned subsidiary of Lennar Corporation ("Merger Sub") with Merger Sub continuing as the surviving corporation of Lennar Corporation. As a practical matter, the assets of and the obligations of CalAtlantic, pursuant to the Development Agreement, are now the assets of and the obligations of Lennar Homes of Texas Land and Construction.

Each of the Members is a wholly owned subsidiary of their respective publicly traded companies including: Beazer Homes USA, Inc., Lennar Homes of Texas Land and Construction, and M/I Homes, Inc. As publicly traded companies, all three file annual reports, quarterly reports, proxy statements, and periodic statements with the Securities Exchange Commission ("SEC"). Such filings are available

to the public over the internet at the SEC's website (<http://www.sec.gov>). See "THE DISTRICT'S DEVELOPER."

The System:

The District's water supply and wastewater treatment capacity is all provided by the City pursuant to the terms of the Utilities Functions and Services Allocation Agreement, as amended ("Utility Service Agreement"). The Utility Service Agreement was executed by the Developer and the City on August 25, 2014, with a term of 45 years. The Utility Service Agreement was subsequently assigned to the District by the Developer (except for the financing obligations of Developer) effective as of February 10, 2015. The District does not operate any water supply or wastewater treatment facilities. The Utility Service Agreement requires the City to provide the District with equivalent single-family connections ("ESFCs") of water supply and wastewater treatment capacity adequate to serve the ultimate buildout of the District.

Drainage in the District is conveyed through storm sewer to an existing interconnected system of detention ponds, which then outfalls into the Willow Fork of Buffalo Bayou in two locations. The drainage system with the District is based on curb and gutter streets with inlets that pick up the internal runoff from the developed subdivisions and parcels. The storm drainage system ultimately discharges into a string of interconnected excavated detention basins within the watershed and into the Willow Fork of Buffalo Bayou and ultimately into the San Jacinto River Basin. According to the District's Engineer, the Flood Hazard Boundary Map [published by the Federal Emergency Management Agency (FEMA)], currently in effect, and which covers land located in the District, indicates that none of the land located in the District lies within the 100-year floodplain. See "UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY" and "DESCRIPTION OF THE SYSTEM."

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.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. 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.

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

7/20/2022 Estimated Taxable Value	\$357,682,459 (a)
2022 Certified Taxable Value	\$344,986,965 (b)
Direct Debt:	
Outstanding Bonds (as of June 1, 2022)	\$27,725,000
The Bonds	<u>\$14,170,000</u>
Total Direct Debt	\$41,895,000
See "DISTRICT DEBT"	
Estimated Overlapping Debt	<u>\$20,879,710</u> (c)
Direct and Estimated Overlapping Debt	\$62,774,710
Percentage of Direct Debt to:	
7/20/2022 Estimated Taxable Value	11.71%
2022 Certified Taxable Value	12.14%
See "DISTRICT DEBT"	
Percentage of Direct and Estimated Overlapping Debt to:	
7/20/2022 Estimated Taxable Value	17.55%
2022 Certified Taxable Value	18.20%
See "DISTRICT DEBT"	
2021 Tax Rate Per \$100 of Assessed Value:	
Debt Service Tax	\$0.42
Road Debt Service Tax	\$0.19
Maintenance Tax	<u>\$0.32</u>
Total 2021 Tax Rate	\$0.93
Cash and Temporary Investment Balances as of June 22, 2022:	
General Fund	\$1,242,223 (d)
Debt Service Fund	\$1,031,780 (e)
Road Debt Service Fund	\$366,160 (e)

-
- (a) Reflects data supplied by Fort Bend Central Appraisal District ("FBCAD") and Waller County Appraisal District ("WCAD"). FBCAD and WCAD are collectively referred to herein as the "Appraisal Districts." The Estimated Taxable Value as of July 20, 2022, for the portion of the District located in Fort Bend County (\$341,790,045) was prepared by FBCAD and provided to the District. The Estimated Taxable Value as of July 20, 2022, for the portion of the District located in Waller County (\$15,892,414) was prepared by WCAD and provided to the District. Such values are not binding on the Appraisal Districts and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied by the Appraisal Districts; such value excludes \$9,526,460 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Unaudited figure per the District's records. See "DESCRIPTION OF THE SYSTEM – General Fund Operating History."
- (e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Outstanding Bonds and the debt service requirements for the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service Requirements on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$1,089,588	-	-	\$1,089,588
2023	\$1,309,051	-	\$631,725	\$1,940,776
2024	\$1,412,551	-	\$583,131	\$1,995,682
2025	\$1,440,176	\$285,000	\$575,293	\$2,300,469
2026	\$1,469,864	\$295,000	\$559,343	\$2,324,207
2027	\$1,500,364	\$310,000	\$542,706	\$2,353,070
2028	\$1,480,441	\$325,000	\$525,243	\$2,330,684
2029	\$1,510,176	\$340,000	\$506,956	\$2,357,132
2030	\$1,562,879	\$360,000	\$492,206	\$2,415,085
2031	\$1,563,785	\$375,000	\$481,181	\$2,419,966
2032	\$1,588,347	\$395,000	\$469,137	\$2,452,484
2033	\$1,586,364	\$415,000	\$454,418	\$2,455,782
2034	\$1,583,286	\$435,000	\$437,418	\$2,455,704
2035	\$1,628,754	\$455,000	\$419,618	\$2,503,372
2036	\$1,647,036	\$475,000	\$401,018	\$2,523,054
2037	\$1,614,004	\$500,000	\$381,518	\$2,495,522
2038	\$1,629,880	\$525,000	\$361,018	\$2,515,898
2039	\$1,643,598	\$550,000	\$339,518	\$2,533,116
2040	\$1,679,792	\$575,000	\$317,018	\$2,571,810
2041	\$1,688,798	\$605,000	\$293,418	\$2,587,216
2042	\$1,695,893	\$635,000	\$268,618	\$2,599,511
2043	\$1,701,017	\$665,000	\$242,618	\$2,608,635
2044	\$1,729,077	\$695,000	\$215,418	\$2,639,495
2045	\$1,744,880	\$730,000	\$186,918	\$2,661,798
2046	\$1,150,695	\$765,000	\$157,018	\$2,072,713
2047	\$891,140	\$805,000	\$125,618	\$1,821,758
2048	\$252,813	\$845,000	\$92,090	\$1,189,903
2049	-	\$885,000	\$56,409	\$941,409
2050	-	\$925,000	\$19,078	\$944,078
TOTALS	\$39,794,251	\$14,170,000	\$10,315,668	\$64,099,919

Maximum Annual Debt Service Requirements (2045) \$2,661,798

Requires a \$0.79 debt service tax rate on the July 20, 2022 Estimated Taxable Value of \$357,682,459
at 95% collections produces \$2,684,407

Requires a \$0.82 debt service tax rate on the 2022 Certified Taxable Value of \$344,986,965
at 95% collections produces \$2,687,448

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$14,170,000

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
(A political subdivision of the State of Texas located within Fort Bend and Waller Counties, Texas)

UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$14,170,000 Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of Fort Bend-Waller Counties Municipal Utility District No. 3 (the "District"), an approving order of the TCEQ, an election held within the District, and a resolution adopted by the City approving the sale of the Bonds.

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Fort Bend County, Waller County, the City, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

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.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. 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.

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

Marketability

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

Tax Collections

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 six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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

The enforceability of the rights and remedies of the Registered Owners may be limited 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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 (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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 obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition 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 a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors.

While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claim.

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

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas 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.

Economic Factors

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space, especially during times of relatively low oil and natural gas prices. The relatively low oil and natural gas prices, currently being experienced worldwide, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home-building plans altogether.

The continued growth of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for land development or homebuilding costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The housing industry in the Houston area is competitive and the District can give no assurance that current homebuilding programs will be completed. The competitive position of the developers in the sale of their developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Nationally, there was a significant downturn in new housing construction from 2008 – 2012 caused, in part, by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds, and contraction in the national economy resulting in a decline in the market value of homes. However, the Houston area did experience reduced levels of home construction in 2009, 2010, 2011 and 2012 when compared to similar periods in prior years (i.e., 2004 – 2007).

Alternative sites are available for the construction of single-family residential improvements and commercial development within the market area in which the District is located. Such sites could pose competition to the continued home-building development and commercial development on comparable sites within the District.

Potential Effects of Oil Price Volatility on the Houston Area

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

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Landowners/Developer under No Obligation to the District

Neither the Members nor the Developer or any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner’s right (including the Developer) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

The District’s 2021 tax rate of \$0.93 per \$100 of assessed valuation, when combined with the City’s tax rate of \$0.447168 per \$100 of assessed valuation, is slightly higher than the tax rate that is common among many other similar utility districts providing water, sanitary sewer, and storm drainage services in Fort Bend and Waller Counties. An increase in the District’s tax rate substantially above such a level could have an adverse impact on future development in the District and on the District’s ability to collect such tax.

Assuming no further residential or commercial building development within the District other than that which has heretofore been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,661,798 (2045). The District’s July 20, 2022 Estimated Taxable Value is \$357,682,459. Assuming no increase or decrease from the July 20, 2022 Estimated Taxable Value and no use of other District funds, a tax rate of \$0.79 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The District’s 2022 Certified Taxable Value is \$344,986,965. Assuming no increase or decrease from the 2022 Certified Taxable Value and no use of other District funds, a tax rate of \$0.82 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$237,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$66,000,000	For certain road facilities and for refunding
\$25,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$202,810,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$57,795,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$25,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination

by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District. The District has prepared a park plan and conducted a park and recreational facilities bond election that authorized \$25,000,000 of park bonds at an election held on May 9, 2015.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

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

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

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

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

1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

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

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

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

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

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

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

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

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

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

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

numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

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

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

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 closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal 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 an 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 policy insurer (the “Bond Insurer”) at such time and in such amounts as would have been due absent such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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 description of “BOND INSURANCE” herein.

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 Underwriters 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 Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “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.

Severe Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a 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, with a corresponding decrease in tax revenues or necessity to 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 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 would be adversely affected.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. However, the District’s residents experienced temporary interruption of water service from the City and the City issued a boil-water notice as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

Hurricane Harvey

The Houston area, including the area in and around the District in Fort Bend and Waller Counties, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to representatives of the District’s Developer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service provided by the City during or after the storm. According to representatives of the District’s Developer, approximately 11 homes within the District experienced minor flooding (i.e., 2 to 4 inches of water), all of which have since been rehabilitated.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically 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.

Tax Payment Installments After Disaster

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

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Atlas 14

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer for advancing funds to construct certain water, wastewater, and drainage facilities serving the District and related engineering and testing costs; (2) fund certain water and wastewater impact fees to the City; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay issuance and administrative expenses related to the Bonds.

LJA Engineering, Inc. (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS</u>	<u>Total Amount</u>
<i>Developer Contribution Items</i>	
Remaining Costs for Young Ranch, Sections 2 & 3 – W, WW & D	\$859,216
Young Ranch, Sections 4 & 5 – W, WW & D	\$1,947,978
Young Ranch, Section 6 – W, WW & D	\$654,980
Kingsland Blvd. Ph. II & West Firethorne Rd. Ph I – W, WW & D	\$885,553
Young Ranch, Section 7 & Kingsland Blvd. Ph. III – W, WW & D	\$910,725
Young Ranch, Section 8 – W, WW & D	\$790,518
Young Ranch, Section 9 – W, WW & D	\$584,747
Young Ranch, Section 10 & West Firethorne Rd. Ph. II – W, WW & D	\$724,055
Young Ranch, Section 11 – W, WW & D	\$551,989
Young Ranch, Section 12 – W, WW & D	\$475,443
Young Ranch Stormwater Detention	\$169,429
Engineering, Materials Testing and Geotech	\$1,499,689
Storm Water Pollution Prevention Planning	\$460,780
<i>Total Developer Contribution Items</i>	<u>\$10,515,102</u>
<i>District Items</i>	
Water and Wastewater Impact Fees	\$784,800
Land Acquisition Costs for 0.117 Acres for Lift Station	\$8,979
<i>Total District Items</i>	<u>\$793,779</u>
TOTAL CONSTRUCTION COSTS	\$11,308,881 (a)
<i>Less Surplus Funds</i>	<u>(\$193,782)</u>
NET TOTAL CONSTRUCTION COSTS	<u>\$11,115,099</u>
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$323,400
Fiscal Agent Fees	\$181,700
Developer Interest	\$1,981,213
Bond Discount	\$425,100
Bond Issuance Expenses	\$48,563
Bond Application Report Costs	\$50,000
TCEQ Bond Issuance Fee	\$35,425
Attorney General Fee	\$9,500
Contingency	\$0 (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$3,054,901</u>
TOTAL BOND ISSUE REQUIREMENT	<u><u>\$14,170,000</u></u>

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement.

(b) Represents the difference between the estimated and actual Bond discount. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the TCEQ effective January 29, 2015. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly 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. Additionally, the District was created with certain road powers.

Under certain limited circumstances, the District is authorized to construct, develop, and maintain park and recreational facilities, and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to provide such facilities and services to the customers of the District.

In order to obtain the consent of the City, within whose corporate limits the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 388 acres. Since its creation, the District has not excluded any tracts of land and has not annexed any other tracts of land. The District is located entirely within the corporate limits of the City. The District is located south of Interstate Highway 10, approximately three (3) miles west of the City's central business district and approximately 31 miles west of the central business district of the City of Houston, Texas. The District is generally bordered by the Willow Fork drainage channel on the north, an existing single-family residential development within Willow Point Municipal Utility District to the east, an existing single-family residential development within Willow Creek Farms Municipal Utility District to the west, and an existing single-family residential development within Fort Bend County Municipal Utility District No. 151 to the south. Residents gain access to the District by traveling west from the City's central business district on U.S. Highway 90 and south on Pederson Road. According to the District's engineer, none of the developed land or developable land within the District would be subject to flooding during a hypothetical 100-year flood.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District as of June 1, 2022, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Single-Family Acres	284	(a)
Developed and Improved Commercial Acres	3	(b)
Additional Developable Acreage	0	
Undevelopable Acreage	<u>101</u>	(c)
Total Approximate Acres	388	

- (a) Represents land that has been developed and improved for single-family residential purposes located in Young Ranch, Sections 1 – 12. See “– Status of Residential Development” herein.
- (b) Represents land that has been developed and improved for commercial purposes. See “– Commercial Development” herein.
- (c) Includes road rights-of-way, detention ponds, drainage easements, pipeline easements, a lift station site, a drill site, a Katy Independent School District elementary school site and a recreation center and park facilities serving the Young Ranch subdivision.

Status of Residential Development

Land within the District has been developed as the single-family residential subdivision of Young Ranch. The following table indicates the approximate status of single-family residential development as of June 1, 2022. See “APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT” for further illustration of the various products of homes constructed in the District.

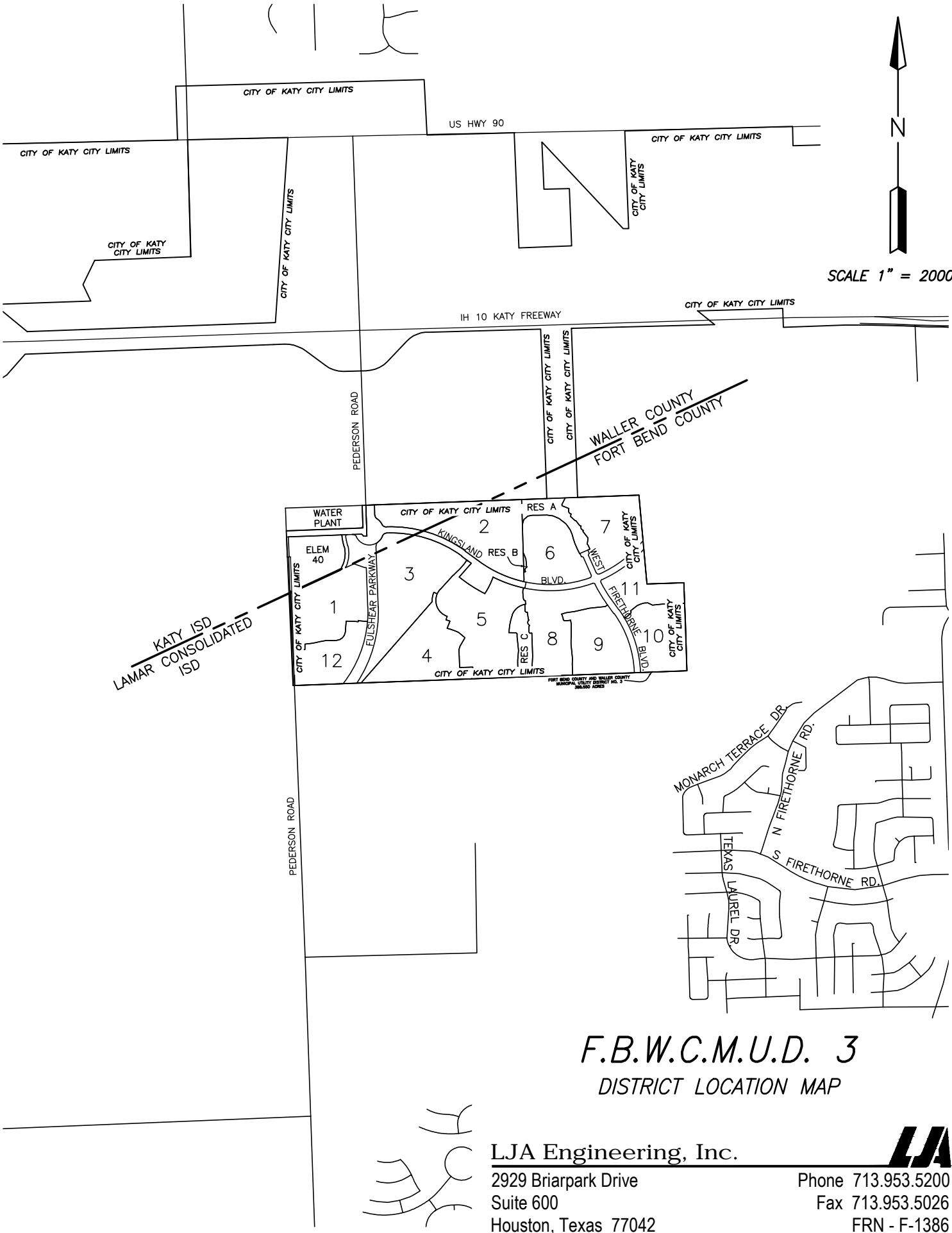
<u>Subdivision/Section</u>	<u>Approximate Acreage</u>	<u>Total Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
			<u>Complete</u>	<u>Under Construction</u>	
Young Ranch, Section 1 (a)	28	104	104	0	0
Young Ranch, Section 2 (a)	28	66	66	0	0
Young Ranch, Section 3 (a)	28	81	81	0	0
Young Ranch, Section 4 (a)	24	88	88	0	0
Young Ranch, Section 5 (a)	25	87	87	0	0
Young Ranch, Section 6 (a)	22	54	50	4	0
Young Ranch, Section 7 (a)	25	69	69	0	0
Young Ranch, Section 8 (a)	26	75	75	0	0
Young Ranch, Section 9 (a)	22	72	72	0	0
Young Ranch, Section 10 (a)	22	66	66	0	0
Young Ranch, Section 11 (a)	16	53	53	0	0
Young Ranch, Section 12 (a)	18	67	67	0	0
Other Developed Acres (b)	3	N/A	N/A	N/A	N/A
Undevelopable Acres (c)	101	N/A	N/A	N/A	N/A
TOTALS	388	882	878 (d)	4 (d)	0

- (a) Homes in the District have been constructed on 55-foot, 60-foot, 70-foot, 75-foot, 80-foot, and 85-foot lots by Lennar Homes of Texas Land and Construction, Beazer Homes, and M/I Homes. According to the builders, homes have been marketed in the \$250,000 - \$549,000 price range.
- (b) Represents acreage that has been developed and improved for commercial purposes. See “– Commercial Development” herein.
- (c) Includes road rights-of-way, detention ponds, drainage easements, pipeline easements, a lift station site, a drill site, a Katy Independent School District elementary school site and a recreation center and park facilities serving the Young Ranch subdivision.
- (d) As of June 1, 2022, all of the completed homes had been sold to homebuyers and all of the homes under construction were under contract.

Commercial Development

Commercial development in the District has taken place on approximately three (3) acres of land. As of June 1, 2022, commercial building development included a child care facility, a children’s learning center, a pet supply store, a fitness center, and a nail salon.

Location Map



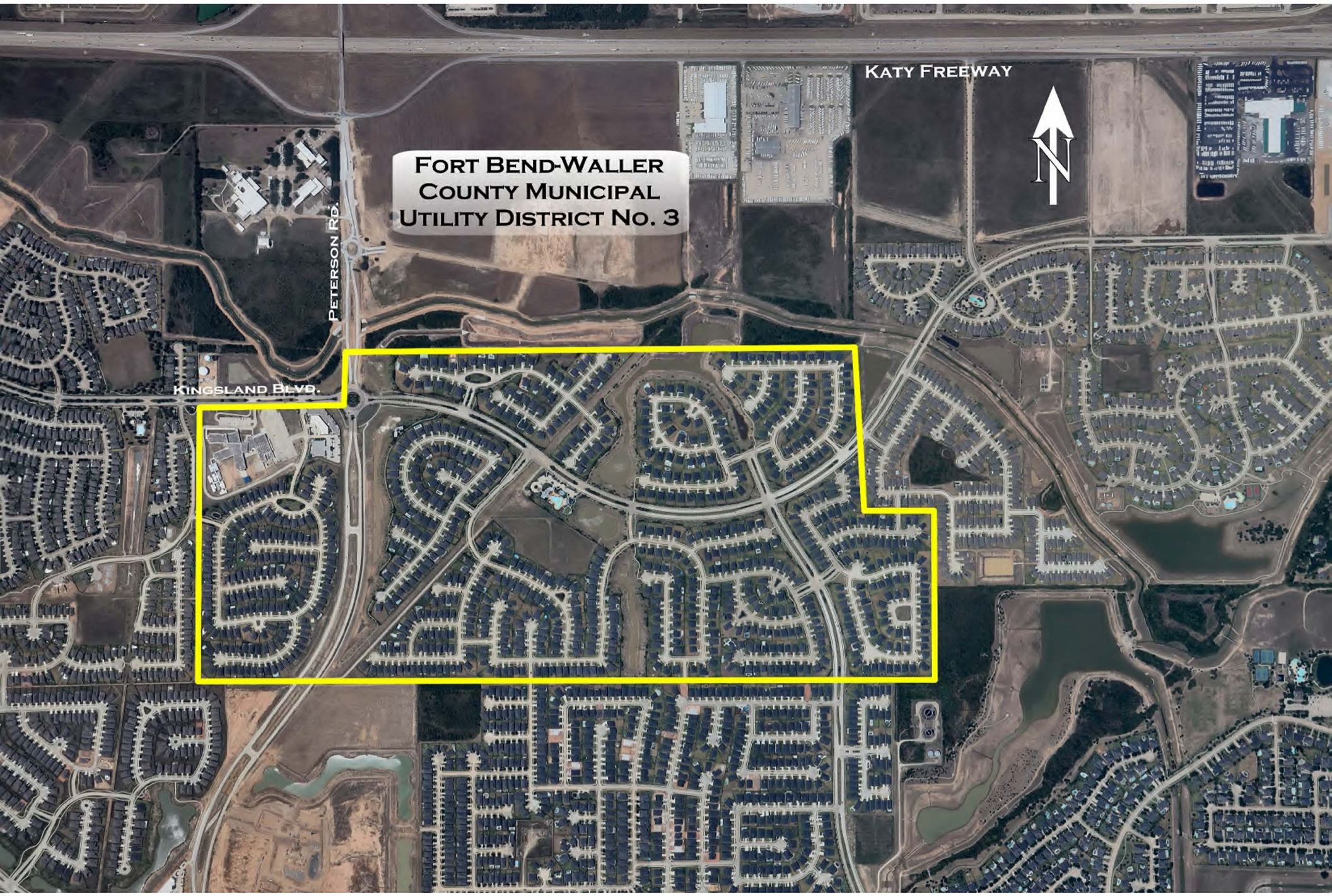
F.B.W.C.M.U.D. 3
 DISTRICT LOCATION MAP

LJA Engineering, Inc.

2929 Briarpark Drive
 Suite 600
 Houston, Texas 77042

Phone 713.953.5200
 Fax 713.953.5026
 FRN - F-1386





**FORT BEND-WALLER
COUNTY MUNICIPAL
UTILITY DISTRICT No. 3**

KINGSLAND BLVD.

PETERSON RD.

KATY FREEWAY



THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets 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, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developer

Effective January 14, 2014, M/I Homes of Houston LLC ("M/I"), Beazer Homes Texas L.P. ("Beazer"), and RH of Texas Limited Partnership, subsequently known as CalAtlantic Homes of Texas ("CalAtlantic") entered into an Agreement of Joint Ownership and Development (the "Development Agreement"). M/I, Beazer, and CalAtlantic are individually referred to herein as "Members" and are referred to herein collectively as the "Developer." On February 12, 2018, Lennar Corporation completed the acquisition of CalAtlantic through a transaction in which CalAtlantic was merged into a wholly owned subsidiary of Lennar Corporation ("Merger Sub") with Merger Sub continuing as the surviving corporation of Lennar Corporation. As a practical matter, the assets of and the obligations of CalAtlantic, pursuant to the Development Agreement, are now the assets of and the obligations of Lennar Homes of Texas Land and Construction.

The Development Agreement provides that each member will have a 33 1/3% undivided interest in approximately 388 acres in the district being developed as the Young Ranch subdivision. The Agreement provides that each Member contributes 33 1/3% of the development cost and in turn receives approximately 33% of the developed lots created in the District. As of June 1, 2022, the Developer has developed approximately 284 acres into 882 developed single-family residential lots and three (3) acres for commercial purposes.

Developer Financing

The Development Agreement generally prohibits a Member from taking on debt secured by a Member's land within the District without the permission of the other Members. None of the Members of the Developer have loans related to the development of the land within the District.

Each of the Members is a wholly owned subsidiary of their respective publicly traded companies including: Beazer Homes USA, Inc., Lennar Homes of Texas Land and Construction, and M/I Homes, Inc. As publicly traded companies, all three file annual reports, quarterly reports, proxy statements, and periodic statements with the Securities Exchange Commission ("SEC"). Such filings are available to the public over the internet at the SEC's website (<http://www.sec.gov>).

While Beazer Homes USA, Inc., Lennar Homes of Texas Land and Construction, and M/I Homes, Inc. may provide internal financing to their respective Members, they are not in any way responsible for the payment of taxes to the District or for the payment of interest and principal on the Bonds.

UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY

The District operates pursuant to a Utilities Functions and Services Allocation Agreement (the "Utility Service Agreement") between the City and the Developer which was subsequently assigned to the District by the Developer (except for the financing obligations of Developer). The Utility Service Agreement was executed by the Developer and the City on August 25, 2014, with a term of 45 years. Pursuant to the Utility Service Agreement, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution and wastewater collection 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 and to make an annual payment to the District in consideration of the District's financing, acquisition, and construction of the Facilities.

The Facilities. The Utility Service Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply subject to a per-connection capital recovery fee. The Utility Service Agreement authorizes the District to purchase capacity in the City's Sewage Treatment Plant based on the City's capital recovery fee. The capital recovery fee for water supply is \$1,800.00 per ESFCs and for wastewater treatment plant capacity is \$1,800.00 per ESFCs. The District agrees to limit the

quantity of wastewater delivered to the amount of wastewater treatment plant capacity purchased through one point of discharge, which is metered. The City agrees to acknowledge any purchase by the District and agrees to hold such capacity for the sole benefit of the District. The District has the right to assign all or any part of its capacity to subsequent purchasers, landowners, and developers within the District's boundaries. Prior to making any connection to the District's sanitary sewer system, the District agrees to issue an assignment of capacity and ensure that all required inspections are conducted by the City.

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

Ownership, Operation, and Maintenance of the Facilities. Upon completion of construction of the Facilities, the District agrees to convey the Facilities to the City, reserving for itself a security interest in the Facilities for the purpose of securing the performance of the City under the Utility Service Agreement. When all bonds issued by the District to acquire and construct the Facilities have been issued and subsequently paid or redeemed and discharged in full, the District agrees to execute a release of the security interest retained by the District and the City shall own the Facilities without encumbrance. As each phase of the Facilities is completed, the City agrees to inspect the same and upon approval, will accept the Facilities for operation and maintenance. The accepted Facilities shall be operated and maintained by the City at its sole cost and expense. Prior to accepting such Facilities, if the City determines that the Facilities, or any portion thereof, have not been constructed in accordance with approved plans and specifications, the City agrees to notify the District and the District shall correct any deficiency noted by the City.

Rates for Service. The City agrees to bill and collect from customers of the District such rates and charges for such customers as the City, in its sole discretion determines are necessary, provided that the rates and charges will be equal and uniform to those charged to other similar users outside the District. The City may impose a charge for connection to Facilities at a rate to be determined from time to time by the City, provided that the charge is equal to the amount charged other City users for comparable connections.

Annual Payment. The City agrees to make an annual payment (the "Annual Payment") based on the City's property tax rate that is attributable to water, sewer, and drainage facilities based on a formula provided in the Utility Service Agreement. Under such formula for a given year, the Annual Payment is equal to the amount of the City's property tax rate (per \$100 in valuation) that is attributable to debt service or operation of water, sewer, and drainage facilities multiplied by the assessed valuation in the District. The City's property tax rate attributable to water, sewer, and drainage facilities may change from year to year. The District does not expect to receive any significant amount of money from the City based upon the Annual Payment. The District has not pledged the Annual Payment to the Bonds.

Dissolution of the District. The City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law. In the Utility Service Agreement, the City agrees that it will not abolish and dissolve the District until: (1) the Facilities required to serve the District have been completed, (2) bonds have been issued to finance the Facilities, and (3) the Developer developing Facilities has been reimbursed by the District to the maximum extent permitted by the rules of the TCEQ and the laws of the state of Texas, or the City assumes the obligation to reimburse the Developer.

DESCRIPTION OF THE SYSTEM

Description of the System and Regulation

All Facilities have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such Facilities, including, as applicable among others, the TCEQ, Fort Bend County, Waller County, and the City.

Water Supply and Wastewater Treatment

The District's water supply and wastewater treatment capacity is all provided by the City pursuant to the terms of the Utility Service Agreement. The District does not operate any water supply or wastewater treatment facilities. The Utility Service Agreement requires the City to provide the District with water supply and wastewater treatment capacity adequate to serve the ultimate buildout of the District. See "UTILITY SERVICE AGREEMENT WITH THE CITY OF KATY."

Drainage and Detention System

Drainage in the District is conveyed through storm sewer to an existing interconnected system of detention ponds, which then outfalls into the Willow Fork of Buffalo Bayou in two locations. The drainage system with the District is based on curb and gutter streets with inlets that pick up the internal runoff from the developed subdivisions and parcels. The storm drainage system ultimately discharges into a string of interconnected excavated detention basins within the watershed and into the Willow Fork of Buffalo Bayou and ultimately into the San Jacinto River Basin. The ultimate runoff is detained to the existing runoff condition to prevent changes to the downstream conditions.

According to the Engineer, the Flood Hazard Boundary Map [published by the Federal Emergency Management Agency (FEMA), currently in effect, and which covers land located in the District, indicates that none of the land located in the District lies within the 100-year floodplain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	For Years Ended March 31 (a)				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES					
Property taxes	\$768,035	\$650,769	\$393,144	\$279,209	\$273,669
Penalty and interest	\$0	\$0	\$0	\$0	\$3,900
Interest on deposits	\$2,387	\$1,704	\$7,624	\$4,884	\$18
TOTAL REVENUES	<u>\$770,422</u>	<u>\$652,473</u>	<u>\$400,768</u>	<u>\$284,093</u>	<u>\$277,587</u>
EXPENDITURES					
Administration:					
Professional fees	\$69,630	\$79,516	\$69,212	\$66,501	\$58,664
Contracted services	\$50,725	\$61,640	\$41,436	\$17,140	\$28,150
Utilities	\$5,687	\$5,087	\$0	\$0	\$0
Administrative expenditures	\$34,690	\$32,420	\$34,123	\$26,503	\$24,215
Repairs and maintenance	\$130,643	\$158,092	\$121,909	\$52,138	\$39,472
TOTAL EXPENDITURES	<u>\$291,375</u>	<u>\$336,755</u>	<u>\$266,680</u>	<u>\$162,282</u>	<u>\$150,501</u>
EXCESS REVENUES (EXPENDITURES) (b)	<u>\$479,047</u>	<u>\$315,718</u>	<u>\$134,088</u>	<u>\$121,811</u>	<u>\$127,086</u>

(a) Represents information provided in the District's audited financial statements. See "APPENDIX A."

(b) As of June 22, 2022, the District's General Fund had an unaudited cash and investment balance of approximately \$1,242,223. For the fiscal year ending March 31, 2023, the District's General Fund is currently budgeting revenues of \$760,000 and expenditures of \$423,455.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. Three of the directors reside in the District and two of the directors do not reside in the District, but own a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Justin Graham	President	2026
Charlie Chapline	Vice President	2024
Michael Salinas	Secretary	2026
Wesley Frommel	Assistant Secretary	2026
Martha Blecher	Assistant Vice President	2024

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District has contracted with Municipal Accounts & Consulting, L.P. for bookkeeping services.

Auditor – The financial statements of the District as of March 31, 2022, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's March 31, 2022, audited financial statements.

Utility System Operator – The operator of the System is the City's Water Department and the City's Sanitary Sewer Department.

Engineer – The consulting engineer for the District is LJA Engineering, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

7/20/2022 Estimated Taxable Value	\$357,682,459	(a)
2022 Certified Taxable Value	\$344,986,965	(b)
Direct Debt:		
Outstanding Bonds (as of June 1, 2022)	\$27,725,000	
The Bonds	<u>\$14,170,000</u>	
Total Direct Debt	\$41,895,000	
Estimated Overlapping Debt	<u>\$20,879,710</u>	(c)
Direct and Estimated Overlapping Debt	\$62,774,710	
Percentage of Direct Debt to:		
7/20/2022 Estimated Taxable Value	11.71%	
2022 Certified Taxable Value	12.14%	
Percentage of Direct and Estimated Overlapping Debt to:		
7/20/2022 Estimated Taxable Value	17.55%	
2022 Certified Taxable Value	18.20%	
2021 Tax Rate Per \$100 of Assessed Value:		
Debt Service Tax	\$0.42	
Road Debt Service Tax	\$0.19	
Maintenance Tax	<u>\$0.32</u>	
Total 2021 Tax Rate	\$0.93	
Cash and Temporary Investment Balances as of June 22, 2022:		
General Fund	\$1,242,223	(d)
Debt Service Fund	\$1,031,780	(e)
Road Debt Service Fund	\$366,160	(e)

- (a) Reflects data supplied by the Appraisal Districts. The Estimated Taxable Value as of July 20, 2022, for the portion of the District located in Fort Bend County (\$341,790,045) was prepared by FBCAD and provided to the District. The Estimated Taxable Value as of July 20, 2022, for the portion of the District located in Waller County (\$15,892,414) was prepared by WCAD and provided to the District. Such values are not binding on the Appraisal Districts and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2022 Certified Taxable Value according to data supplied by the Appraisal Districts; such value excludes \$9,526,460 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "Estimated Overlapping Debt" herein.
- (d) Unaudited figure per the District's records. See "DESCRIPTION OF THE SYSTEM – General Fund Operating History."
- (e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

Estimated Overlapping Debt

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 information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Waller County	\$44,987,000	0.1617%	\$72,736
Fort Bend County	\$668,221,248	0.2802%	\$1,872,354
Fort Bend County Drainage District	\$24,530,000	0.2828%	\$69,382
Katy Independent School District	\$2,140,211,367	0.1507%	\$3,225,353
Lamar Consolidated Independent School District	\$1,705,940,000	0.8103%	\$13,823,078
City of Katy	\$30,120,000	6.0319%	\$1,816,807
Total Estimated Overlapping Debt			\$20,879,710
The District (a)			\$41,895,000
Total Direct and Estimated Overlapping Debt			\$62,774,710

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2017 through 2021. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Year Ending September 30</u>
2021	\$241,550,024	\$0.93	\$2,246,415	98%	2022
2020	\$182,599,823	\$0.93	\$1,698,178	100%	2021
2019	\$112,245,890	\$0.93	\$1,043,887	100%	2020
2018	\$56,003,265	\$0.93	\$520,830	99%	2019
2017	\$30,434,508	\$0.93	\$283,041	100%	2018

(a) See "Tax Rate Distribution" herein.

(b) Represents cumulative collections as of May 31, 2022. According to the District's records, the current tax collections have averaged above 97% for the past five years.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2017 through 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.42	\$0.42	\$0.40	\$0.25	\$0.00
Road Debt Service	\$0.19	\$0.15	\$0.17	\$0.20	\$0.00
Maintenance/Operations	<u>\$0.32</u>	<u>\$0.36</u>	<u>\$0.36</u>	<u>\$0.48</u>	<u>\$0.93</u>
Total	\$0.93	\$0.93	\$0.93	\$0.93	\$0.93

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 9, 2015. The District's voters authorized a road maintenance tax of up to \$0.25 per \$100.00 of assessed valuation at an election held on May 9, 2015. See "Tax Rate Distribution" herein.

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 Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2021 and the other information provided by this table were provided by the Appraisal Districts to the District's Tax Assessor/Collector based on the District's 2021 certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of the Appraisal Districts.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Lennar Homes of Texas Land & Constr. (a)	Land and Improvement	\$4,273,841	1.76%
Beazer Homes Texas LP (a)	Land and Improvement	\$2,830,490	1.17%
Comin 1st Development Inc	Commercial	\$2,626,454	1.09%
M/I Homes of Houston LLC (a)	Land and Improvement	\$2,033,370	0.84%
Hamm Belt Ltd	Commercial	\$1,806,400	0.75%
Homeowner	Land and Improvement	\$591,160	0.24%
Homeowner	Land and Improvement	\$551,020	0.23%
Homeowner	Land and Improvement	\$529,490	0.22%
Homeowner	Land and Improvement	\$523,280	0.22%
Homeowner	Land and Improvement	\$522,900	0.22%
TOTALS		\$16,288,405	6.73%

(a) Represents a Member of the Developer. See "THE DISTRICT'S DEVELOPER."

Analysis of Tax Base

Based on information provided to the District by the Appraisal Districts and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2017 through 2022.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
2022	\$55,117,889	\$347,900,381	\$452,960	\$403,471,230	\$58,484,265	\$344,986,965 (a)
2021	\$52,779,509	\$204,645,680	\$831,708	\$258,256,897	\$16,706,873	\$241,550,024
2020	\$43,793,383	\$152,791,707	\$549,273	\$197,134,363	\$14,534,540	\$182,599,823
2019	\$33,730,570	\$90,691,629	\$645,426	\$125,067,625	\$12,821,735	\$112,245,890
2018	\$23,598,046	\$43,636,605	\$856,314	\$68,090,965	\$12,087,700	\$56,003,265
2017	\$21,224,066	\$20,319,434	\$679,559	\$42,223,059	\$11,788,551	\$30,434,508

(a) Reflects the January 1, 2022 Certified Taxable Value according to data supplied by the Appraisal Districts; such value excludes \$9,526,460 of uncertified taxable value that is still in the certification process. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2021 taxes levied by overlapping taxing jurisdictions for substantially all of the completed homes and homes under construction that are located within the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2021 Tax Rate</u>
Fort Bend County	\$0.438300
Fort Bend County Drainage District	\$0.014500
Fort Bend County Emergency Services District No. 2	\$0.100000
Lamar Consolidated Independent School District	\$1.242000
City of Katy	<u>\$0.447168</u>
Overlapping Taxes	\$2.241968
 The District	 <u>\$0.930000</u>
Total Direct & Overlapping Taxes	\$3.171968 (a) (b)

- (a) Most of the homes within the District are located within Fort Bend County and Lamar Consolidated Independent School District, as reflected in the table above. Certain homes within the District are located within Waller County and within Katy Independent School District, which levied a 2021 tax rate of \$0.575691 and \$1.351700, respectively; the total direct and overlapping taxes for such homes is \$3.378724.
- (b) Most of the land that has recently been developed and is currently being improved in the District is located within Fort Bend County and Katy Independent School District, which levied a 2021 tax rate of \$0.438300 and \$1.351700, respectively; the total direct and overlapping taxes for such homes is \$3.281668.

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the July 20, 2022 Estimated Taxable Valuation and the 2022 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirement (2045).....	\$2,661,798
Requires a \$0.79 debt service tax rate on the July 20, 2022 Estimated Taxable Value at 95% collections produces	\$2,684,407
Requires a \$0.82 debt service tax rate on the 2022 Certified Taxable Value at 95% collections produces	\$2,687,448

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal Districts have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Fort Bend Appraisal Review Board and the Waller County Appraisal Review Board (the “Appraisal Review Boards”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions. The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

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

Tax Abatement

Fort Bend County, Waller County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Fort Bend County, Waller County, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition

that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, 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 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically 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 orders of the Appraisal Review Boards by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established

by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2021 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DISTRICT 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 and land designated for agricultural use and six months for all other 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 (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

CONSOLIDATION

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets 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.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions, and provisions for the payment of the principal of, and interest, on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds will be dated and will bear interest from September 1, 2022, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2023, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The Bonds maturing on or after April 1, 2029, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2028, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing April 1 in the years 2038, 2041, 2044, 2047, and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

\$1,025,000 Term Bonds, due April 1, 2038

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2037	\$500,000
April 1, 2038 (maturity)	\$525,000

\$1,730,000 Term Bonds, due April 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2039	\$550,000
April 1, 2040	\$575,000
April 1, 2041 (maturity)	\$605,000

\$1,995,000 Term Bonds, due April 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2042	\$635,000
April 1, 2043	\$665,000
April 1, 2044 (maturity)	\$695,000

\$2,300,000 Term Bonds, due April 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2045	\$730,000
April 1, 2046	\$765,000
April 1, 2047 (maturity)	\$805,000

\$2,655,000 Term Bonds, due April 1, 2050

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2048	\$845,000
April 1, 2049	\$885,000
April 1, 2050 (maturity)	\$925,000

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

Notice of Redemption; Partial Redemption

While the Bonds are in book-entry-only form, pursuant to the Bond Resolution, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal Districts' fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Waller County, the City of Katy, or any entity other than the District.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and redemption price thereon in any manner permitted by law. Under current tax 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 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 or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and that mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Funds

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

The District also maintains a Road Debt Service Fund that is not pledged to the Bonds. Funds in the Road Debt Service Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund.

No Arbitrage

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

limitation, calculating the yield on the Bonds, as may be that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Issuance of Additional Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$237,000,000	For certain water, sanitary sewer, and storm water facilities and for refunding
\$66,000,000	For certain road facilities and for refunding
\$25,000,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$202,810,000 of unlimited tax water, sanitary sewer, and storm water facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$57,795,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$25,000,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds, as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee 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, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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. 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Proceedings

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

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Proceedings" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents

and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned

income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

NOT Qualified Tax-Exempt Obligations

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants:

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location," "– Status of Land Development/Land Uses in the District" and "– Status of Residential Development" has been provided by LJA Engineering, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Appraisal Districts and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of March 31, 2022, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's March 31, 2022, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above and certain certificates of representation to be provided to the Board, 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 the light of the circumstances under which they were made, not misleading. The information, descriptions, 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 of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Fort Bend-Waller Counties Municipal Utility District No. 3 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED MARCH 31, 2022

FORT BEND-WALLER COUNTIES
MUNICIPAL UTILITY DISTRICT NO. 3
FORT BEND AND WALLER COUNTIES, TEXAS
ANNUAL AUDIT REPORT
MARCH 31, 2022

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-19
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	20
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	21
SCHEDULE OF SERVICES AND RATES	22
EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2022	23
ANALYSIS OF CHANGES IN DEPOSITS, ALL GOVERNMENTAL FUND TYPES	24
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS	25
TAXES LEVIED AND RECEIVABLE	26-27
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	28-34
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	35-36
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	37
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	38
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	39-40

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

July 27, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Bend-Waller Counties Municipal
Utility District No. 3
Fort Bend and Waller Counties, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fort Bend-Waller Counties Municipal Utility District No. 3 as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise Fort Bend-Waller Counties Municipal Utility District No. 3's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Fort Bend-Waller Counties Municipal Utility District No. 3, as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Fort Bend-Waller Counties Municipal Utility District No. 3, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Fort Bend-Waller Counties Municipal Utility District No. 3'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Fort Bend-Waller Counties Municipal Utility District No. 3's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Bend-Waller Counties Municipal Utility District No. 3's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Bend-Waller Counties Municipal Utility District No. 3's basic financial statements. The supplementary information on Pages 21 to 40 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. Craig".

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Fort Bend-Waller Counties Municipal Utility District No. 3 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2022.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is funding of water and sewer infrastructure. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

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

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

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and are used to pay the administration costs of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information. As further described in Note 9, under the terms of an agreement with the City of Katy (the "City"), the District has or will transfer to the City the ownership of a majority of the capital assets constructed by the District. Under the terms of the agreement, the District is to pay for construction of a water distribution system, a sanitary sewer collection system and a drainage system to serve the District. The District shall be the owner of each phase of the system until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the agreement are retired. Accordingly, the District has no capital assets. In accordance with generally accepted accounting principles, the amount of outstanding long-term debt related to the acquisition of capital assets has been netted against the total of unrestricted net position, which resulted in a negative unrestricted net asset balance at March 31, 2022.

The following required summaries of the District's overall financial position and operations is based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current and other assets	\$ 3,085,455	\$ 1,891,181	\$ 1,194,274
Capital assets	14,929,453	28,618,762	(13,689,309)
Total assets	<u>18,014,908</u>	<u>30,509,943</u>	<u>(12,495,035)</u>
Long-term liabilities	38,890,684	45,463,254	(6,572,570)
Other liabilities	522,791	283,351	239,440
Total liabilities	<u>39,413,475</u>	<u>45,746,605</u>	<u>(6,333,130)</u>
Net position:			
Invested in capital assets, net of related debt	(24,303,083)	(16,947,300)	(7,355,783)
Restricted	1,720,259	1,009,377	710,882
Unrestricted	1,184,257	701,261	482,996
Total net position	<u>\$ (21,398,567)</u>	<u>\$ (15,236,662)</u>	<u>\$ (6,161,905)</u>

Summary of Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,256,988	\$ 1,718,516	\$ 538,472
Other revenues	5,297	4,813	484
Total revenues	<u>2,262,285</u>	<u>1,723,329</u>	<u>538,956</u>
Expenses:			
Service operations	250,954	341,369	(90,415)
Capital outlay and related costs	6,857,495	6,388,177	469,318
Debt service	1,315,741	1,001,871	313,870
Total expenses	<u>8,424,190</u>	<u>7,731,417</u>	<u>692,773</u>
Change in net position	(6,161,905)	(6,008,088)	(153,817)
Net position, beginning of year	<u>(15,236,662)</u>	<u>(9,228,574)</u>	<u>(6,008,088)</u>
Net position, end of year	<u>\$ (21,398,567)</u>	<u>\$ (15,236,662)</u>	<u>\$ (6,161,905)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended March 31, 2022 were \$2,997,282, an increase of \$1,176,504 from the prior year.

The General Fund balance increased by \$479,047, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$459,242, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$238,215 as proceeds from the Series 2021 and Series 2021A bonds and interest earnings on deposits and investments exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of March 31, 2022, was expected to be \$1,067,809 and the actual end of year fund balance was \$1,322,716.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land	\$ 2,768,740	\$ 2,768,740	\$ 0
Construction in progress	12,160,713	25,850,022	(13,689,309)
Totals	<u>\$ 14,929,453</u>	<u>\$ 28,618,762</u>	<u>\$ (13,689,309)</u>

Changes to capital assets during the fiscal year ended March 31, 2022, are summarized as follows:

Decreases:	
Reduction of estimated of construction by developers	\$ (6,115,655)
Transfer of facilities to City of Katy	<u>(7,573,654)</u>
Net change to capital assets	<u>\$ (13,689,309)</u>

As further described in Note 9 of the notes to the financial statements, the District will transfer the ownership of the utilities and road facilities constructed by the District to the City of Katy (the "City").

Debt

Changes in the bonded debt position of the District during the fiscal year ended March 31, 2022, are summarized as follows:

Bonded debt payable, beginning of fiscal year	\$ 20,225,000
Sale of bonds	7,800,000
Bonds paid	<u>(300,000)</u>
Bonded debt payable, end of fiscal year	<u>\$ 27,725,000</u>

At March 31, 2022, the District had \$216,980,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer, drainage and storm sewer system within the District, \$57,795,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a road system and \$25,000,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving recreational facilities.

The Series 2019, 2020, 2021 and 2021A bonds have an underlying rating of Baa3 by Moody's. The Series 2019 and 2020 bonds are insured by Build America Mutual Assurance Company. The Series 2021 and 2021A bonds are insured by Assured Guaranty Municipal Corp. Because of the insurance, the Series 2019, 2020, 2021 and 2021 bonds are rated AA by Standard & Poor's. The District's Series 2018 and 2018A bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, developers within the District have advanced funds for the operating costs of the District. As of March 31, 2022, the unreimbursed amount of developer advances for this purpose was \$164,000.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing certain facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At March 31, 2022, the estimated amount due to developers for construction was \$12,160,713.

RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$58,950,000 for the 2021 tax year (approximately 32%), due to the addition of new houses and commercial property to the tax base.

Relationship to the City of Katy

The District is located within the corporate limits of the City and obtains water, sewer and drainage service from the City. As described in Note 9 of the notes to the financial statements, under the terms of an agreement with the City, the District will transfer to the City the ownership of the capital assets constructed by the District except for detention facilities and park and recreational facilities which will be owned by the District.

Dissolution

Under existing Texas law, since the District lies within the corporate limits of the City, the District may be abolished and dissolved by the City without the District's consent, subject to compliance with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City must assume the District's assets and obligations (including the bonds) on the effective date of the dissolution of the District. Dissolution of districts is a policy-making matter within the discretion of the Mayor and City Council of the City and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the dissolution of the District occur.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
MARCH 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 1,960	\$ 108,500	\$ 116	\$ 110,576	\$	\$ 110,576
Certificates of deposit, at cost, Note 7	525,000	720,000		1,245,000		1,245,000
Temporary investments, at cost, Note 7	799,318	610,717	247,468	1,657,503		1,657,503
Receivables:						
Property taxes	25,541	45,693		71,234		71,234
Accrued interest	583	559		1,142		1,142
Maintenance taxes collected not yet transferred from other fund	11,352			11,352	(11,352)	0
Capital assets not being depreciated, Note 4				0	14,929,453	14,929,453
Total assets	<u>\$1,363,754</u>	<u>\$ 1,485,469</u>	<u>\$ 247,584</u>	<u>\$ 3,096,807</u>	14,918,101	18,014,908
LIABILITIES						
Accounts payable	\$ 15,497	\$ 1,442	\$	\$ 16,939		16,939
Maintenance taxes collected not yet transferred to other fund		11,352		11,352	(11,352)	0
Long-term liabilities, Note 5:						
Due within one year				0	505,852	505,852
Due in more than one year				0	38,890,684	38,890,684
Total liabilities	<u>15,497</u>	<u>12,794</u>	<u>0</u>	<u>28,291</u>	<u>39,385,184</u>	<u>39,413,475</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>25,541</u>	<u>45,693</u>	<u>0</u>	<u>71,234</u>	<u>(71,234)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		1,426,982		1,426,982	(1,426,982)	0
Capital projects			247,584	247,584	(247,584)	0
Unassigned	<u>1,322,716</u>			<u>1,322,716</u>	<u>(1,322,716)</u>	<u>0</u>
Total fund balances	<u>1,322,716</u>	<u>1,426,982</u>	<u>247,584</u>	<u>2,997,282</u>	<u>(2,997,282)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$1,363,754</u>	<u>\$ 1,485,469</u>	<u>\$ 247,584</u>	<u>\$ 3,096,807</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(24,303,083)	(24,303,083)
Restricted for debt service					1,472,675	1,472,675
Restricted for capital projects					247,584	247,584
Unrestricted, Note 5					<u>1,184,257</u>	<u>1,184,257</u>
Total net position					<u>\$(21,398,567)</u>	<u>\$(21,398,567)</u>

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

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED MARCH 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 768,035	\$ 1,458,476	\$	\$ 2,226,511	\$ 17,374	\$ 2,243,885
Penalty and interest		13,103		13,103		13,103
Accrued interest on bonds received at date of sale		11,030		11,030	(11,030)	0
Interest on deposits	<u>2,387</u>	<u>2,890</u>	<u>20</u>	<u>5,297</u>		<u>5,297</u>
Total revenues	<u>770,422</u>	<u>1,485,499</u>	<u>20</u>	<u>2,255,941</u>	<u>6,344</u>	<u>2,262,285</u>
EXPENDITURES / EXPENSES						
Administration:						
Professional fees	69,630	2,830	2,057	74,517		74,517
Contracted services	50,725	9,864		60,589		60,589
Utilities	5,687			5,687		5,687
Administrative expenditures	34,690	1,428		36,118		36,118
Repairs and maintenance	130,643			130,643		130,643
Capital outlay / non-capital outlay			6,324,988	6,324,988		6,324,988
Interest on developer construction			475,907	475,907		475,907
Debt service:						
Principal retirement		300,000		300,000	(300,000)	0
Bond issuance expenditures			532,507	532,507		532,507
Interest and fees		751,417		751,417	31,817	783,234
Total expenditures / expenses	<u>291,375</u>	<u>1,065,539</u>	<u>7,335,459</u>	<u>8,692,373</u>	<u>(268,183)</u>	<u>8,424,190</u>
Excess (deficiency) of revenues over expenditures	<u>479,047</u>	<u>419,960</u>	<u>(7,335,439)</u>	<u>(6,436,432)</u>	<u>274,527</u>	<u>(6,161,905)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		226,346	7,573,654	7,800,000	(7,800,000)	0
Bond issuance discount, Note 5		<u>(187,064)</u>		<u>(187,064)</u>	<u>187,064</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>39,282</u>	<u>7,573,654</u>	<u>7,612,936</u>	<u>(7,612,936)</u>	<u>0</u>
Net change in fund balances / net position	479,047	459,242	238,215	1,176,504	(7,338,409)	(6,161,905)
Beginning of year	<u>843,669</u>	<u>967,740</u>	<u>9,369</u>	<u>1,820,778</u>	<u>(17,057,440)</u>	<u>(15,236,662)</u>
End of year	<u>\$ 1,322,716</u>	<u>\$ 1,426,982</u>	<u>\$ 247,584</u>	<u>\$ 2,997,282</u>	<u>\$(24,395,849)</u>	<u>\$(21,398,567)</u>

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

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3NOTES TO THE FINANCIAL STATEMENTSMARCH 31, 2022

NOTE 1: REPORTING ENTITY

Fort Bend-Waller Counties Municipal Utility District No. 3 (the "District") was created by an order of the Texas Commission on Environmental Quality effective January 29, 2015, and operates in accordance with Texas Water Code Chapters 49 and 54, as amended. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on February 10, 2015. The District is empowered, among other things, to provide for water, wastewater, drainage, road and recreational facilities. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is located within the corporate limits of the City and obtains water, sewer and drainage service from the City.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are either not spendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not spendable or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 2,997,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		14,929,453
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (27,725,000)	
Issuance discount (to be amortized as interest expense)	653,177	
Due to developers for operating advances	(164,000)	
Due to developers for construction	<u>(12,160,713)</u>	(39,396,536)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		<u>71,234</u>
Net position, end of year		<u>\$21,398,567</u>

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ 1,176,504
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(7,800,000)	
Principal reduction	<u>300,000</u>	(7,500,000)
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		144,217
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		<u>17,374</u>
Change in net position		<u>\$ (6,161,905)</u>

NOTE 4: CAPITAL ASSETS

At March 31, 2022, "Invested in capital assets, net of related debt" was \$(24,303,083). As further described in Note 9, under the terms of an agreement with the City, the District has or will transfer to the City the ownership of the capital assets constructed by the District except for detention facilities and park and recreational facilities which will be owned by the District. Under the terms of the agreement, the District is to pay for construction of water distribution facilities, sanitary sewer collection facilities, drainage facilities and road facilities to serve the District. The District shall be the owner of the facilities until such facilities are completed and approved by the City, at which time ownership of the facilities (with the exception of detention ponds) is accepted by the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the Agreement are retired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended March 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 2,768,740	\$	\$	\$ 2,768,740
Construction in progress	<u>25,850,022</u>		<u>13,689,309</u>	<u>12,160,713</u>
Total capital assets not being depreciated	<u>28,618,762</u>	<u>0</u>	<u>13,689,309</u>	<u>14,929,453</u>
 Total capital assets, net	 <u>\$ 28,618,762</u>	 <u>\$ 0</u>	 <u>\$ 13,689,309</u>	 <u>\$ 14,929,453</u>
Changes to capital assets:				
Decrease in liability to developer for construction			\$ 6,115,655	
Capital outlay paid (decrease in liability) to developers		(7,573,654)		
Transfer of utilities to City of Katy		<u>7,573,654</u>	<u>7,573,654</u>	
Net increases / decreases to capital assets		<u>\$ 0</u>	<u>\$ 13,689,309</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended March 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 20,225,000	\$ 7,800,000	\$ 300,000	\$ 27,725,000	\$ 550,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	<u>(508,960)</u>	<u>(187,064)</u>	<u>(42,847)</u>	<u>(653,177)</u>	<u>(44,148)</u>
Total bonds payable	<u>19,716,040</u>	<u>7,612,936</u>	<u>257,153</u>	<u>27,071,823</u>	<u>505,852</u>
Due to developers for operating advances (see below)	164,000			164,000	-----
Due to developers for construction (see below)	<u>25,850,022</u>		<u>13,689,309</u>	<u>12,160,713</u>	-----
Total due to developers	<u>26,014,022</u>	<u>0</u>	<u>13,689,309</u>	<u>12,324,713</u>	<u>0</u>
Total long-term liabilities	<u>\$ 45,730,062</u>	<u>\$ 7,612,936</u>	<u>\$ 13,946,462</u>	<u>\$ 39,396,536</u>	<u>\$ 505,852</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District has paid the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future. As of March 31, 2022, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 550,000	\$ 769,115	\$ 1,319,115
2024	675,000	748,989	1,423,989
2025	725,000	726,115	1,451,115
2026	775,000	704,239	1,479,239
2027	825,000	685,489	1,510,489
2028 - 2032	4,650,000	3,113,169	7,763,169
2033 - 2037	5,675,000	2,460,826	8,135,826
2038 - 2042	6,825,000	1,612,227	8,437,227
2043 - 2047	6,775,000	538,456	7,313,456
2048	250,000	5,624	255,624
	<u>\$ 27,725,000</u>	<u>\$ 11,364,249</u>	<u>\$ 39,089,249</u>

Water, sewer, drainage and storm sewer bonds voted	\$ 237,000,000
Water, sewer, drainage and storm sewer bonds approved for sale and sold	20,020,000
Water, sewer, drainage and storm sewer bonds voted and not issued	216,980,000
Road bonds voted	66,000,000
Road bonds approved for sale and sold	8,205,000
Road bonds voted and not issued	57,795,000
Recreational facilities bonds voted	25,000,000
Recreational facilities bonds approved for sale and sold	0
Recreational facilities bonds voted and not issued	25,000,000

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

The bond issues payable at March 31, 2022, were as follows:

	<u>Series 2018</u>	<u>Series 2018A</u>	<u>Series 2019</u>
Amounts outstanding, March 31, 2022	\$3,985,000	\$4,555,000	\$4,485,000
Interest rates	3.00% to 4.00%	3.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2023/2045	April 1, 2023/2045	April 1, 2023/2046
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	April 1, 2023*	April 1, 2023*	April 1, 2024*

*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2020</u>	<u>Series 2021</u>	<u>Series 2021A</u>
Amounts outstanding, March 31, 2022	\$6,900,000	\$3,450,000	\$4,350,000
Interest rates	2.00% to 4.50%	2.00% to 3.00%	2.00% to 2.25%
Maturity dates, serially beginning/ending	April 1, 2023/2047	April 1, 2023/2047	April 1, 2024/2048
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	April 1, 2025*	April 1, 2026*	April 1, 2026*

*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

Developer Construction Commitments, Liabilities and Advances

The developers within the District have advanced funds to the District to cover initial operating deficits. At March 31, 2022, the amount of unreimbursed developer advances was \$164,000. This amount has been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$1,348,257.

The developers within the District have constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that unreimbursed cost of the construction in progress at March 31, 2022, was \$12,160,713. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

The Fort Bend Central Appraisal District and Waller County Appraisal District have the responsibility for appraising property for all taxing units within the counties as of January 1 of each year, subject to review and change by the county 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 District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Resolution requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held May 9, 2015, the voters within the District authorized a maintenance tax for water, sewer and drainage facilities not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

At an election held May 9, 2015, the voters within the District authorized a maintenance tax for road facilities not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 22, 2021, the District levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$241,550,014:

	<u>Rate</u>	<u>Amount</u>
Debt service, Utilities	\$ 0.4200	\$ 1,014,510
Debt service, Roads	0.1900	458,945
Maintenance	<u>0.3200</u>	<u>772,960</u>
	<u>\$ 0.9300</u>	<u>\$ 2,246,415</u>

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2021 tax year total property tax levy	\$ 2,246,415
Appraisal district adjustments to prior year taxes	<u>(2,530)</u>
Statement of Activities property tax revenues	<u>\$ 2,243,885</u>

NOTE 7: DEPOSITS

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and an authorized private sector investment pool (Texas CLASS). The private sector investment pool is rated AAAM by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was \$1,657,503.

Deposits and temporary investments restricted by state statutes and the Bond Resolution:

Debt Service Fund

For payment of debt principal and interest,
paying agent fees and costs of assessing and
collecting taxes:

Cash	\$ 108,500
Certificates of deposit	720,000
Temporary investments	<u>610,717</u>
	<u>\$ 1,439,217</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	\$ 116
Temporary investments	<u>247,468</u>
	<u>\$ 247,584</u>

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At March 31, 2022, the District had property damage coverage of \$80,000, general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, pollution liability coverage of \$1,000,000, consultant crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACT WITH THE CITY

The District is located within the corporate limits of the City and obtains water, sewer and drainage service from the City under the terms of the Utility Agreement (the "Agreement") dated August 25, 2014. In consideration of the District's acquiring and constructing certain water, sewer, drainage and road facilities (the "Facilities") on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own and operate the Facilities. The District shall retain ownership of any detention facilities and park and recreational facilities. Pursuant to the Agreement, the District will pay to the City capital recovery fees per connection for capacity in the City's water supply and wastewater treatment plant. Furthermore, the City shall make an annual payment (the "Annual Payment") to the District rebating the City's WS&D Tax Rate (as defined in the Agreement) collected within the District. There was not an Annual Payment for the fiscal year ended March 31, 2022 as the City did not levy a WS&D Tax.

As construction of each phase of the Facilities is certified by the City to be complete in accordance with the final plans and specifications approved by the City, the District is to transfer such portion of the Facilities with "as built" drawings thereof to the City reserving a security interest therein until the bonds issued to acquire and construct the Facilities have been retired. Upon transfer, the City has agreed to operate and maintain the Facilities at its expense. The City will charge customers of the Facilities the same rates charged other similar users within the City. All revenues from the Facilities, including any charges which the City may impose for connection to the Facilities, belong exclusively to the City.

The City, as owner and operator of the Facilities, has agreed to supply the District with all of its requirements for potable water and wastewater treatment.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 565,000	\$ 565,000	\$ 768,035	\$ 203,035
Interest on deposits	<u>1,120</u>	<u>1,120</u>	<u>2,387</u>	<u>1,267</u>
TOTAL REVENUES	<u>566,120</u>	<u>566,120</u>	<u>770,422</u>	<u>204,302</u>
EXPENDITURES				
Administration:				
Professional fees	96,200	96,200	69,630	(26,570)
Contracted services	66,700	66,700	50,725	(15,975)
Utilities	0	0	5,687	5,687
Administrative expenditures	28,280	28,280	34,690	6,410
Repairs and maintenance	<u>150,800</u>	<u>150,800</u>	<u>130,643</u>	<u>(20,157)</u>
TOTAL EXPENDITURES	<u>341,980</u>	<u>341,980</u>	<u>291,375</u>	<u>(50,605)</u>
EXCESS REVENUES (EXPENDITURES)	224,140	224,140	479,047	254,907
FUND BALANCE, BEGINNING OF YEAR	<u>843,669</u>	<u>843,669</u>	<u>843,669</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,067,809</u>	<u>\$ 1,067,809</u>	<u>\$ 1,322,716</u>	<u>\$ 254,907</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
MARCH 31, 2022

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

SCHEDULE OF SERVICES AND RATES

MARCH 31, 2022

1. Services Provided by the District during the Fiscal Year:

- Retail Water
- Wholesale Water
- Drainage
- Retail Wastewater
- Wholesale Wastewater
- Irrigation
- Parks/Recreation
- Fire Protection
- Security
- Solid Waste/Garbage
- Flood Control
- Roads
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other All services are provided by the City of Katy.

2. Retail Service Providers

- a. Retail Rates for a 5/8" meter (or equivalent):
Contact the City of Katy.
- b. Water and Wastewater Retail Connections within the District as of fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:
Contact the City of Katy.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):
Contact the City of Katy.

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: _____

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 8,500	\$	\$ 2,057	\$ 8,500
Legal	55,029	2,830		59,916
Engineering	4,801			4,801
Financial advisor	1,300			1,300
	<u>69,630</u>	<u>2,830</u>	<u>2,057</u>	<u>74,517</u>
Contracted services:				
Bookkeeping	22,164			22,164
Tax assessor-collector	18,723	4,099		22,822
Central appraisal district	9,838	5,765		15,603
	<u>50,725</u>	<u>9,864</u>	<u>0</u>	<u>60,589</u>
Utilities	<u>5,687</u>	<u>0</u>	<u>0</u>	<u>5,687</u>
Repairs and maintenance	<u>130,643</u>	<u>0</u>	<u>0</u>	<u>130,643</u>
Administrative expenditures:				
Director's fees	10,050			10,050
Office supplies and postage	10,596			10,596
Insurance	6,089	50		6,139
Other	7,955	1,378		9,333
	<u>34,690</u>	<u>1,428</u>	<u>0</u>	<u>36,118</u>
CAPITAL OUTLAY				
Authorized expenditures	<u>0</u>	<u>0</u>	<u>6,324,988</u>	<u>6,324,988</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>475,907</u>	<u>475,907</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>532,507</u>	<u>532,507</u>
Interest and fees:				
Interest		748,167		748,167
Paying agent fees		3,250		3,250
	<u>0</u>	<u>751,417</u>	<u>0</u>	<u>751,417</u>
TOTAL EXPENDITURES	<u>\$ 291,375</u>	<u>\$ 1,065,539</u>	<u>\$ 7,335,459</u>	<u>\$ 8,692,373</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENT				
Cash receipts from revenues excluding maintenance taxes	\$ 2,387	\$ 1,484,943	\$ 20	\$ 1,487,350
Maintenance tax receipts		768,035		768,035
Proceeds from sale of bonds		39,282	7,573,654	7,612,936
Transfer of maintenance taxes	769,035			769,035
Reimbursement from other fund			9,369	9,369
	<u>771,422</u>	<u>2,292,260</u>	<u>7,583,043</u>	<u>10,646,725</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	285,858	16,434	2,057	304,349
Capital outlay			6,800,895	6,800,895
Debt service		1,051,417	532,507	1,583,924
Reimbursement to other fund	9,369			9,369
Transfer of maintenance taxes		769,035		769,035
	<u>295,227</u>	<u>1,836,886</u>	<u>7,335,459</u>	<u>9,467,572</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	476,195	455,374	247,584	1,179,153
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>850,083</u>	<u>983,843</u>	<u>0</u>	<u>1,833,926</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 1,326,278</u>	<u>\$ 1,439,217</u>	<u>\$ 247,584</u>	<u>\$ 3,013,079</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

MARCH 31, 2022

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 91300011947466	0.44%	9/27/22	\$ 75,000	\$ 168
No. 12815	0.50%	2/23/23	75,000	37
No. 12816	0.40%	5/24/22	75,000	177
No. 4191437	0.25%	10/26/22	75,000	80
No. 6000049525	0.40%	12/25/22	75,000	79
No. 6000049517	0.40%	3/30/23	75,000	1
No. 1001100519	0.30%	1/24/23	<u>75,000</u>	<u>41</u>
			<u>\$ 525,000</u>	<u>\$ 583</u>
Texas CLASS				
No. TX-01-0680-0003	Market	On demand	<u>\$ 799,318</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 12975	0.40%	7/29/22	\$ 240,000	\$ 552
No. 6000049509	0.40%	3/30/23	240,000	3
No. 6550115655	0.20%	9/28/22	<u>240,000</u>	<u>4</u>
			<u>\$ 720,000</u>	<u>\$ 559</u>
Texas CLASS				
No. TX-01-0680-0001	Market	On demand	\$ 254,469	\$ 0
No. TX-01-0680-0005	Market	On demand	<u>356,248</u>	<u>0</u>
			<u>\$ 610,717</u>	<u>\$ 0</u>
CAPITAL PROJECTS FUND				
Texas CLASS				
No. TX-01-0680-0008	Market	On demand	\$ 53,460	\$ 0
No. TX-01-0680-0009	Market	On demand	<u>194,008</u>	<u>0</u>
			<u>\$ 247,468</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 2,902,503</u>	<u>\$ 1,142</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED MARCH 31, 2022

	<u>Maintenance Taxes</u>	<u>Road Debt Service Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 21,591	\$ 9,031	\$ 23,238
Additions and corrections to prior year taxes	<u>(975)</u>	<u>(410)</u>	<u>(1,145)</u>
Adjusted receivable, beginning of year	20,616	8,621	22,093
ADJUSTED TAX ROLL	<u>772,960</u>	<u>458,945</u>	<u>1,014,510</u>
Total to be accounted for	793,576	467,566	1,036,603
Tax collections: Current tax year	(750,722)	(445,741)	(985,323)
Prior tax years	<u>(17,313)</u>	<u>(7,242)</u>	<u>(20,170)</u>
RECEIVABLE, END OF YEAR	<u>\$ 25,541</u>	<u>\$ 14,583</u>	<u>\$ 31,110</u>
RECEIVABLE, BY TAX YEAR			
2017	\$ 5	\$	\$
2018	2,972	1,238	1,548
2019	104	49	116
2020	222	92	259
2021	<u>22,238</u>	<u>13,204</u>	<u>29,187</u>
RECEIVABLE, END OF YEAR	<u>\$ 25,541</u>	<u>\$ 14,583</u>	<u>\$ 31,110</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED MARCH 31, 2022

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 52,563,557	\$ 43,793,383	\$ 33,730,570	\$ 23,598,046
Improvements	203,880,233	152,791,707	90,691,629	43,636,605
Personal property	831,170	430,560	363,320	667,890
Less exemptions	<u>(15,724,946)</u>	<u>(14,415,827)</u>	<u>(12,539,629)</u>	<u>(11,899,276)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 241,550,014</u>	 <u>\$ 182,599,823</u>	 <u>\$ 112,245,890</u>	 <u>\$ 56,003,265</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.61000	\$ 0.57000	\$ 0.57000	\$ 0.45000
Maintenance tax rates*	<u>0.32000</u>	<u>0.36000</u>	<u>0.36000</u>	<u>0.48000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.93000</u>	 <u>\$ 0.93000</u>	 <u>\$ 0.93000</u>	 <u>\$ 0.93000</u>
TAX ROLLS	<u>\$ 2,246,415</u>	<u>\$ 1,698,178</u>	<u>\$ 1,043,887</u>	<u>\$ 520,830</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>97.1 %</u>	<u>99.9 %</u>	<u>99.9 %</u>	<u>98.9 %</u>

*Maximum tax rate approved by voters on May 9, 2015: \$1.50

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARSMARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending March 31</u>	<u>Series 2018</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	
2023	\$ 100,000	\$ 146,275	\$ 246,275
2024	100,000	143,275	243,275
2025	100,000	140,275	240,275
2026	125,000	137,275	262,275
2027	125,000	133,525	258,525
2028	125,000	129,775	254,775
2029	125,000	125,868	250,868
2030	150,000	121,806	271,806
2031	150,000	116,744	266,744
2032	150,000	111,494	261,494
2033	150,000	106,244	256,244
2034	175,000	100,806	275,806
2035	175,000	94,463	269,463
2036	200,000	87,900	287,900
2037	200,000	80,400	280,400
2038	200,000	72,900	272,900
2039	200,000	65,400	265,400
2040	200,000	57,400	257,400
2041	225,000	49,400	274,400
2042	225,000	40,400	265,400
2043	250,000	31,400	281,400
2044	250,000	21,400	271,400
2045	<u>285,000</u>	<u>11,400</u>	<u>296,400</u>
TOTALS	<u>\$ 3,985,000</u>	<u>\$ 2,125,825</u>	<u>\$ 6,110,825</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Due During Fiscal Years Ending March 31	Series 2018A		
	Principal Due April 1	Interest Due October 1, April 1	Total
2023	\$ 100,000	\$ 164,981	\$ 264,981
2024	125,000	161,981	286,981
2025	125,000	158,231	283,231
2026	125,000	154,481	279,481
2027	150,000	150,731	300,731
2028	150,000	146,231	296,231
2029	150,000	141,544	291,544
2030	175,000	136,669	311,669
2031	175,000	130,763	305,763
2032	175,000	124,856	299,856
2033	200,000	118,731	318,731
2034	200,000	111,731	311,731
2035	200,000	104,731	304,731
2036	200,000	97,482	297,482
2037	200,000	90,232	290,232
2038	225,000	82,731	307,731
2039	225,000	74,294	299,294
2040	250,000	65,575	315,575
2041	250,000	55,888	305,888
2042	275,000	46,200	321,200
2043	275,000	35,200	310,200
2044	300,000	24,200	324,200
2045	305,000	12,200	317,200
TOTALS	<u>\$ 4,555,000</u>	<u>\$ 2,389,663</u>	<u>\$ 6,944,663</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending March 31</u>	<u>Series 2019</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	
2023	\$ 100,000	\$ 118,796	\$ 218,796
2024	100,000	114,797	214,797
2025	125,000	110,796	235,796
2026	125,000	108,296	233,296
2027	125,000	105,796	230,796
2028	125,000	103,297	228,297
2029	150,000	100,796	250,796
2030	150,000	97,796	247,796
2031	150,000	94,608	244,608
2032	175,000	91,234	266,234
2033	175,000	87,078	262,078
2034	175,000	82,703	257,703
2035	175,000	78,328	253,328
2036	200,000	73,952	273,952
2037	200,000	68,703	268,703
2038	200,000	63,452	263,452
2039	225,000	57,952	282,952
2040	225,000	51,765	276,765
2041	250,000	45,465	295,465
2042	250,000	38,465	288,465
2043	250,000	31,465	281,465
2044	275,000	24,215	299,215
2045	275,000	16,240	291,240
2046	<u>285,000</u>	<u>8,265</u>	<u>293,265</u>
TOTALS	<u>\$ 4,485,000</u>	<u>\$ 1,774,260</u>	<u>\$ 6,259,260</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending March 31</u>	<u>Series 2020</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	
2023	\$ 175,000	\$ 167,656	\$ 342,656
2024	175,000	159,781	334,781
2025	175,000	151,906	326,906
2026	200,000	144,031	344,031
2027	200,000	140,031	340,031
2028	200,000	136,031	336,031
2029	225,000	132,032	357,032
2030	225,000	127,532	352,532
2031	225,000	123,031	348,031
2032	250,000	118,532	368,532
2033	250,000	113,218	363,218
2034	250,000	107,906	357,906
2035	275,000	102,594	377,594
2036	275,000	96,750	371,750
2037	275,000	90,562	365,562
2038	300,000	84,375	384,375
2039	300,000	77,625	377,625
2040	325,000	70,500	395,500
2041	325,000	62,782	387,782
2042	350,000	55,062	405,062
2043	350,000	46,750	396,750
2044	375,000	38,438	413,438
2045	375,000	29,532	404,532
2046	400,000	20,625	420,625
2047	425,000	10,625	435,625
TOTALS	<u>\$ 6,900,000</u>	<u>\$ 2,407,907</u>	<u>\$ 9,307,907</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending March 31</u>	<u>Series 2021</u>		<u>Total</u>
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	
2023	\$ 75,000	\$ 78,563	\$ 153,563
2024	75,000	76,312	151,312
2025	75,000	74,063	149,063
2026	75,000	71,812	146,812
2027	100,000	69,563	169,563
2028	100,000	66,562	166,562
2029	100,000	64,563	164,563
2030	100,000	62,562	162,562
2031	125,000	60,563	185,563
2032	125,000	58,062	183,062
2033	125,000	55,563	180,563
2034	125,000	53,062	178,062
2035	150,000	50,563	200,563
2036	150,000	47,562	197,562
2037	150,000	44,562	194,562
2038	150,000	41,562	191,562
2039	150,000	38,376	188,376
2040	175,000	35,188	210,188
2041	175,000	31,250	206,250
2042	175,000	27,312	202,312
2043	175,000	23,156	198,156
2044	175,000	19,000	194,000
2045	200,000	14,844	214,844
2046	200,000	10,094	210,094
2047	225,000	5,344	230,344
TOTALS	<u>\$ 3,450,000</u>	<u>\$ 1,180,063</u>	<u>\$ 4,630,063</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

<u>Due During Fiscal Years Ending March 31</u>	<u>Series 2021A</u>		
	<u>Principal Due April 1</u>	<u>Interest Due October 1, April 1</u>	<u>Total</u>
2023	\$	\$ 92,844	\$ 92,844
2024	100,000	92,843	192,843
2025	125,000	90,844	215,844
2026	125,000	88,344	213,344
2027	125,000	85,843	210,843
2028	125,000	83,344	208,344
2029	125,000	80,844	205,844
2030	150,000	78,343	228,343
2031	150,000	75,344	225,344
2032	150,000	72,343	222,343
2033	150,000	69,344	219,344
2034	150,000	66,344	216,344
2035	175,000	63,343	238,343
2036	175,000	59,844	234,844
2037	175,000	56,125	231,125
2038	175,000	52,406	227,406
2039	200,000	48,688	248,688
2040	200,000	44,438	244,438
2041	200,000	39,938	239,938
2042	200,000	35,438	235,438
2043	225,000	30,938	255,938
2044	225,000	25,875	250,875
2045	225,000	20,812	245,812
2046	225,000	15,750	240,750
2047	225,000	10,688	235,688
2048	250,000	5,624	255,624
TOTALS	<u>\$ 4,350,000</u>	<u>\$ 1,486,531</u>	<u>\$ 5,836,531</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)MARCH 31, 2022

The District pays the amount due April 1 within the fiscal year preceding this due date, and the following schedule has been prepared assuming that this practice will be followed in the future.

Due During Fiscal Years Ending March 31	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2023	\$ 550,000	\$ 769,115	\$ 1,319,115
2024	675,000	748,989	1,423,989
2025	725,000	726,115	1,451,115
2026	775,000	704,239	1,479,239
2027	825,000	685,489	1,510,489
2028	825,000	665,240	1,490,240
2029	875,000	645,647	1,520,647
2030	950,000	624,708	1,574,708
2031	975,000	601,053	1,576,053
2032	1,025,000	576,521	1,601,521
2033	1,050,000	550,178	1,600,178
2034	1,075,000	522,552	1,597,552
2035	1,150,000	494,022	1,644,022
2036	1,200,000	463,490	1,663,490
2037	1,200,000	430,584	1,630,584
2038	1,250,000	397,426	1,647,426
2039	1,300,000	362,335	1,662,335
2040	1,375,000	324,866	1,699,866
2041	1,425,000	284,723	1,709,723
2042	1,475,000	242,877	1,717,877
2043	1,525,000	198,909	1,723,909
2044	1,600,000	153,128	1,753,128
2045	1,665,000	105,028	1,770,028
2046	1,110,000	54,734	1,164,734
2047	875,000	26,657	901,657
2048	250,000	5,624	255,624
TOTALS	<u>\$ 27,725,000</u>	<u>\$ 11,364,249</u>	<u>\$ 39,089,249</u>

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT
FOR THE YEAR ENDED MARCH 31, 2022

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2018	2018A	2019	2020
Interest Rate:	3.00% to 4.00%	3.00% to 4.00%	2.00% to 4.00%	2.00% to 4.50%
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity Dates:	April 1, 2023/2045	April 1, 2023/2045	April 1, 2023/2046	April 1, 2023/2047
Bonds Outstanding at Beginning of Current Year	\$ 4,085,000	\$ 4,655,000	\$ 4,585,000	\$ 6,900,000
Less Retirements	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u> </u>
Bonds Outstanding at End of Current Year	<u>\$ 3,985,000</u>	<u>\$ 4,555,000</u>	<u>\$ 4,485,000</u>	<u>\$ 6,900,000</u>
Current Year Interest Paid:	<u>\$ 149,275</u>	<u>\$ 167,981</u>	<u>\$ 122,796</u>	<u>\$ 167,656</u>

Bond Descriptions and Original Amount of Issue

- (1) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2018
(\$4,185,000)
- (2) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Road Bonds, Series 2018A
(\$4,755,000)
- (3) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2019
(\$4,585,000)
- (4) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2020
(\$6,900,000)

Paying Agent/Registrar

- (1) (2) ZB, National Association, dba Amegy Bank, Houston, Texas
- (3) (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
ANALYSIS OF CHANGES IN GENERAL LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED MARCH 31, 2022

	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2021	2021A	
Interest Rate:	2.00% to 3.00%	2.00% to 2.25%	
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	
Maturity Dates:	April 1, 2023/2047	April 1, 2024/2048	
Bonds Outstanding at Beginning of Current Year	\$	\$	\$ 20,225,000
Add Bonds Sold	3,450,000	4,350,000	7,800,000
Less Retirements	<u> </u>	<u> </u>	<u>(300,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 3,450,000</u>	<u>\$ 4,350,000</u>	<u>\$ 27,725,000</u>
Current Year Interest Paid:	<u>\$ 78,563</u>	<u>\$ 61,896</u>	<u>\$ 748,167</u>

Bond Descriptions and Original Amount of Issue

- (5) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Road Bonds, Series 2021 (\$3,450,000)
- (6) Fort Bend-Waller Counties Municipal Utility District No. 3 Unlimited Tax Bonds, Series 2021A (\$4,350,000)

Paying Agent/Registrar

- (5) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 237,000,000	\$ 91,000,000	\$ 0
Amount Issued:	20,020,000	8,205,000	
Remaining to be Issued:	216,980,000	82,795,000	

Net Debt Service Fund deposits balances as of March 31, 2022: \$ 1,426,982
Average annual debt service payment for remaining term of all debt: 1,135,783

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED MARCH 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 768,035	\$ 650,769	\$ 393,144	\$ 279,209	\$ 273,669	99.7 %	99.7 %	98.1 %	98.3 %	98.6 %
Penalty and interest	0	0	0	0	3,900	0.0	0.0	0.0	0.0	1.3
Interest on deposits	2,387	1,704	7,624	4,884	18	0.3	0.3	1.9	1.7	0.1
TOTAL REVENUES	770,422	652,473	400,768	284,093	277,587	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Administration:										
Professional fees	69,630	79,516	69,212	66,501	58,664	9.0	12.2	17.3	23.4	21.1
Contracted services	50,725	61,640	41,436	17,140	28,150	6.6	9.4	10.3	6.0	10.1
Utilities	5,687	5,087	0	0	0	0.7	0.8	0.0	0.0	0.0
Administrative expenditures	34,690	32,420	34,123	26,503	24,215	4.5	5.0	8.5	9.3	8.7
Repairs and maintenance	130,643	158,092	121,909	52,138	39,472	17.0	24.2	30.4	18.4	14.3
TOTAL EXPENDITURES	291,375	336,755	266,680	162,282	150,501	37.8	51.6	66.5	57.1	54.2
EXCESS REVENUES (EXPENDITURES)	\$ 479,047	\$ 315,718	\$ 134,088	\$ 121,811	\$ 127,086	62.2 %	48.4 %	33.5 %	42.9 %	45.8 %

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED MARCH 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2022	2021	2020	2019	2018*	2022	2021	2020	2019	2018
REVENUES										
Property taxes	\$ 1,458,476	\$ 1,030,778	\$ 624,565	\$ 249,044	\$ 0	98.2 %	97.6 %	98.6 %	93.0 %	0.0 %
Penalty and interest	13,103	12,722	880	3,842	0	0.9	1.2	0.1	1.4	0.0
Accrued interest on bonds received at date of sale	11,030	10,246	1,364	9,024	11,421	0.7	1.0	0.2	3.4	97.9
Interest on deposits and investments	2,890	2,446	6,893	5,849	250	0.2	0.2	1.1	2.2	2.1
TOTAL REVENUES	1,485,499	1,056,192	633,702	267,759	11,671	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	2,830	1,963	178	359	0	0.2	0.2	0.1	0.1	0.0
Contracted services	9,864	2,160	21,240	36,414	0	0.7	0.2	3.4	13.6	0.0
Administrative expenditures	1,428	491	490	4,191	0	0.1	0.0	0.1	1.6	0.0
Current:										
Principal retirement	300,000	200,000	0	0	0	20.2	18.9	0.0	0.0	0.0
Interest and fees	751,417	574,295	396,432	277,393	0	50.5	54.4	62.4	103.6	0.0
TOTAL EXPENDITURES	1,065,539	778,909	418,340	318,357	0	71.7	73.7	66.0	118.9	0.0
EXCESS REVENUES (EXPENDITURES)	\$ 419,960	\$ 277,283	\$ 215,362	\$ (50,598)	\$ 11,671	28.3 %	26.3 %	34.0 %	(18.9) %	100.0 %

*First year of financial activity.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSMARCH 31, 2022

Complete District Mailing Address: Fort Bend-Waller Counties Municipal Utility District No. 3
 c/o Allen Boone Humphries Robinson LLP
 3200 Southwest Freeway, Suite 2600
 Houston, Texas 77027

District Business Telephone No.: 713-860-6400

Submission date of the most recent District Registration Form: August 25, 2021

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Charles Chapline c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/02/20- 5/04/24	\$ 1,350	\$ 0	President
Geneva Vanzijll c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/23/18- 5/07/22	1,650	143	Vice President
Austin Goings c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/23/18- 5/07/22	1,650	34	Secretary
Martha Blecher c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/02/20- 5/04/24	3,300	2,421	Assistant Secretary
Vivian Shudde c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/23/18- 5/07/22	2,100	899	Assistant Vice President

See accompanying independent auditor's report.

FORT BEND-WALLER COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)MARCH 31, 2022CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	2/10/15	\$ 62,433 232,856 Bonds	Attorney and Bond Counsel
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	3/23/16	2,830	Delinquent Tax Attorney
Municipal Accounts & Consulting, L.P. 1281 Brittmoore Houston, Texas 77043	3/25/15	24,514 7,248 Bonds	Bookkeeper
Mark Burton, Ghia Lewis 1281 Brittmoore Houston, Texas 77043	3/25/15	0	Investment Officer
LJA Engineering, Inc. 3600 Sam Houston Pkwy S., Suite 600 Houston, Texas 77042	3/25/15	4,801 64,584 Bonds	Engineer
Assessments of the Southwest, Inc. P.O. Box 1368 Friendswood, Texas 77549	3/25/15	26,937 1,000 Bonds	Tax Assessor- Collector
Fort Bend Central Appraisal District 2801 B. F. Terry Blvd. Rosenberg, Texas 77471	Legislative Action	13,724	Central Appraisal District
Waller County Appraisal District P.O. Box 887 Hempstead, Texas 77445	Legislative Action	1,879	Central Appraisal District
The GMS Group, L.L.C. 5075 Westheimer, Suite 1175 Houston, Texas 77056	3/25/15	1,300 151,380 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	4/26/17	8,624 9,900 Bonds	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

PHOTOGRAPHS TAKEN IN THE DISTRICT

















APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN