

OFFICIAL STATEMENT DATED MAY 18, 2023

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF 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. SEE "LEGAL MATTERS" AND "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.

NEW ISSUE – Book Entry Only

S&P Global Ratings (AGM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING."

\$9,410,000

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 233
(A Political Subdivision of the State of Texas Located within Fort Bend County)
UNLIMITED TAX BONDS
SERIES 2023

Dated: June 1, 2023

Interest accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The \$9,410,000 Unlimited Tax Bonds, Series 2023 (the "Bonds") are obligations solely of Fort Bend County Municipal Utility District No. 233 (the "District") and are not obligations of Fort Bend County, Texas (the "County"); the City of Rosenberg, Texas (the "City"); the State of Texas (the "State"); or any entity other than the District. Neither the full faith and credit nor the taxing power of the County; the City; the State; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds are dated June 1, 2023 (the "Dated Date"), and will accrue interest from the date of delivery, which is expected to be on or about June 20, 2023 (the "Date of Delivery"), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months.

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

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on inside cover.

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



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

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

The Bonds will be 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about June 20, 2023.

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

\$9,410,000 Unlimited Tax Bonds, Series 2023

\$5,840,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34686Y (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 34686Y (b)
2024	\$ 110,000	6.500%	3.550%	BB0	2038 (c)	\$ 395,000	4.000%	4.090%	BR5
2025	210,000	6.500%	3.500%	BC8	2039 (c)	415,000	4.000%	4.130%	BS3
2026	220,000	6.500%	3.450%	BD6	2040 (c)	435,000	4.000%	4.150%	BT1
2027	230,000	6.500%	3.450%	BE4	2041 (c)	455,000	4.000%	4.180%	BU8
2028	240,000	6.500%	3.450%	BF1	2042 (c)	480,000	4.000%	4.210%	BV6
***	***	***	***	***	2043 (c)	505,000	4.125%	4.240%	BW4
2033 (c)	310,000	5.000%	3.500%	BL8	2044 (c)	530,000	4.125%	4.270%	BX2
2034 (c)	325,000	4.000%	3.750%	BM6	***	***	***	***	***
2035 (c)	340,000	4.000%	3.850%	BN4	2048 (c)	640,000	4.250%	4.400%	CB9
***	***	***	***	***					

\$3,570,000 Term Bonds

\$520,000 Term Bond Due September 1, 2030 (c)(d), Interest Rate: 6.500% (Price: \$116.562) (a), CUSIP No. 34686Y BH7 (b)

\$575,000 Term Bond Due September 1, 2032 (c)(d), Interest Rate: 6.500% (Price: \$116.562) (a), CUSIP No. 34686Y BK0 (b)

\$730,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 4.000% (Price: \$99.459) (a), CUSIP No. 34686Y BQ7 (b)

\$1,745,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 4.250% (Price: \$98.066) (a), CUSIP No. 34686Y CA1 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers will be assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2030, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on June 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, at 1980 Post Oak Blvd., Suite 1380, Houston, Texas 77056 for further information.

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

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement at a price of 97.000000% of the par value thereof, which resulted in a net effective interest rate of 4.526019%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

Prices and Marketability

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

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

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

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

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed

on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At March 31, 2023:

- The policyholders’ surplus of AGM was approximately \$2,742 million.
- The contingency reserve of AGM was approximately \$874 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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

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

Miscellaneous Matters

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

RATING

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

The District is not aware of any rating assigned the Bonds other than the rating discussed above.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer Fort Bend County Municipal Utility District No. 233 (the “District”), a political subdivision of the State of Texas, is located within Fort Bend County, Texas. See “THE DISTRICT – General” and “THE DISTRICT – Description and Location.”

Description of the Bonds..... The \$9,410,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”), are dated June 1, 2023 (the “Dated Date”), and mature on September 1 in the years and amounts set forth on the inside cover page hereof.

The Bonds will accrue interest from the date of delivery, which is expected to be on or about June 20, 2023 (the “Date of Delivery”), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS – General.”

Redemption Provisions..... Bonds maturing on or after September 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District on June 1, 2029, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions – *Optional Redemption.*”

The Bonds maturing on September 1, 2024, through September 1, 2028, both inclusive, September 1, 2033, through September 1, 2035, both inclusive, September 1, 2038, through September 1, 2044, both inclusive, and September 1, 2048, are serial bonds. The Bonds maturing on September 1 in the years 2030, 2032, 2037, and 2047 are term bonds and are also subject to mandatory redemption provisions as set out herein under “THE BONDS – Redemption Provisions – *Mandatory Redemption.*”

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

Authority for Issuance..... The Bonds constitute the second series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “Utility System”). Voters in the District have authorized a total of \$240,000,000 principal amount of unlimited tax bonds for the Utility System and \$360,000,000 for refunding such bonds; \$42,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the

District (the "Road System") and \$63,000,000 for refunding such bonds; and \$12,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a park and recreational system to serve the District (the "Park System") and \$18,000,000 for refunding such bonds.

Following the issuance of the Bonds, \$226,385,000 principal amount of unlimited tax bonds for the Utility System and all of the voted bonds for the Road System and the Park System will remain authorized and unissued.

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ") dated May 5, 2023; the order of the District's Board of Directors authorizing the issuance of the Bonds (the "Bond Order"); an election held within the District on November 5, 2019; and Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; and Chapter 8068, Texas Special District Local Laws Code, as amended. See "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

- Short-Term Debt..... In connection with the Bonds, the District issued its \$5,080,000 Bond Anticipation Note, Series 2022, dated November 3, 2022 (the "BAN"). The BAN accrues interest at a rate of 4.880% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on November 2, 2023. Proceeds from the sale of the BAN were used to reimburse the Developer (hereinafter defined) for a portion of the costs associated with the projects set out herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." Proceeds from the sale of the Bonds will be used to redeem the BAN as described below.

- Outstanding Bonds..... The Bonds are the second series of unlimited tax bonds issued by the District for the Utility System. The District has previously issued one series of unlimited tax bonds for the Utility System: \$4,205,000 Unlimited Tax Bonds, Series 2022, of which \$4,205,000 principal amount remains outstanding (the "Outstanding Bonds").

- Payment Record..... The District has never defaulted on the timely payment of debt service on its bonded indebtedness.

- Use of Bond Proceeds..... A portion of the proceeds of the sale of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the costs associated with construction of the facilities shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, a portion of the proceeds will also be used to reimburse the Developer for its project expenditures that were not reimbursed by the BAN and to pay twelve (12) months of capitalized interest, BAN interest, developer interest, and other costs associated with the issuance of the BAN and the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

- Qualified Tax-Exempt Obligations..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
Rating.....	S&P Global Ratings (AGM Insured): “AA.” See “RATING.”
Bond Counsel	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
District Engineer.....	Costello Engineering & Surveying, Houston, Texas.

THE DISTRICT

The Issuer	The District is a political subdivision of the State of Texas, created by an order of the TCEQ on November 5, 2019, and operates pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8068, Texas Special District Local Laws Code, as amended. See “THE DISTRICT – General.”
Location and Description.....	The District comprises approximately 210 acres and is located in Fort Bend County approximately 32 miles west of the central downtown business district of the City of Houston and approximately 4 miles south of the downtown business district of the City of Rosenberg, Texas (the “City”). The District lies wholly within the city limits of the City and within the boundaries of Lamar Consolidated Independent School District. The District is approximately 1.5 miles south of US Highway 59/Interstate 69; and approximately 1 mile east of State Highway 36. FM 2218 borders the west side of the District. See “THE DISTRICT – Description and Location.”
The Developer.....	Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company (“Lennar Homes” or the “Developer”). See “THE DEVELOPER.”
Development within the District.....	Approximately 171.97 acres (645 lots) within the District have been developed as the single-family residential subdivision of Sendero, Sections 1-9. As of April 14, 2023, the District consisted of 389 completed homes, 83 homes under construction and 173 vacant developed lots. The remaining land within the District contains approximately 38.33 undevelopable acres. See “DEVELOPMENT WITHIN THE DISTRICT.”
Homebuilders Within the District.....	Lennar Homes is the sole homebuilder within the District. Prices of new homes being constructed within the District range from approximately \$305,000 to approximately \$514,000. Homes range in square footage from approximately 1,444 square feet to approximately 3,029 square feet. See “DEVELOPMENT WITHIN THE DISTRICT – Homebuilders Active Within the District.”

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Certified Assessed Valuation.....	\$ 54,480,438	(a)
2023 Preliminary Assessed Valuation.....	\$ 141,345,975	(b)
Direct Debt:		
Outstanding Bonds.....	\$ 4,205,000	
The Bonds	<u>\$ 9,410,000</u>	
Total.....	\$ 13,615,000	
Estimated Overlapping Debt.....	<u>\$ 6,148,288</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 19,763,288	(c)
Direct Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	24.99	%
As a percentage of 2023 Preliminary Assessed Valuation	9.63	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	36.28	%
As a percentage of 2023 Preliminary Assessed Valuation	13.98	%
2022 Tax Rate:		
Utility System Debt Service	\$0.42	
Maintenance & Operation	<u>\$0.48</u>	
Total.....	\$0.90	
Utility System Debt Service Fund (April 21, 2023).....	\$ 194,681	(d)
Operating Fund (as of April 21, 2023).....	\$ 211,358	
Capital Projects Fund (as of April 21, 2023).....	\$ 7,598	
Average Annual Debt Service Requirement (2023–2048)	\$ 886,981	(e)
Maximum Annual Debt Service Requirement (2048).....	\$ 947,663	(e)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.72	
Based on 2023 Preliminary Assessed Valuation	\$0.67	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2048) at 95% Collections		
Based on 2022 Certified Assessed Valuation	\$1.84	
Based on 2023 Preliminary Assessed Valuation	\$0.71	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2023. This value represents the preliminary determination of the taxable value in the District as of January 1, 2023, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Does not include twelve (12) months of capitalized interest on the Bonds that will be deposited to the Utility System Debt Service Fund upon closing.
- (e) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirements."

OFFICIAL STATEMENT
relating to

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 233
\$9,410,000
UNLIMITED TAX BONDS
SERIES 2023

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Fort Bend County Municipal Utility District No. 233 (the "District") of its \$9,410,000 Unlimited Tax Bonds, Series 2023 (the "Bonds").

The Bonds are issued and sold to the initial purchaser of the Bonds (the "Initial Purchaser") pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ") dated May 5, 2023; the order of the District's Board of Directors authorizing the issuance of the Bonds (the "Bond Order"); an election held within the District on November 5, 2019; Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; and Chapter 8068, Texas Special District Local Laws Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: David Smalling, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

RISK FACTORS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry in the Houston, Texas metropolitan area. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home

sales from other developments, there are numerous previously-owned single-family homes for sale in more established commercial centers and neighborhoods closer to the City of Houston, Texas. Such existing developments could represent additional competition for new development proposed to be constructed within the District.

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

Dependence on Principal Taxpayers and the Developer: The top principal taxpayers represent approximately 13.04% (\$7,104,138) of the 2022 Certified Assessed Valuation, which represents ownership as of January 1, 2022. The Developer represents \$2,030,108 or 3.73% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Certified Assessed Valuation of property located within the District is \$54,480,438 (see "TAX DATA") and the 2023 Preliminary Assessed Valuation is \$141,345,975. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds will be \$947,663 (2048) and the average annual debt service requirements on the Bonds and the Outstanding Bonds will be \$886,981 (2023–2048). Assuming no increase to, nor decrease from the 2022 Certified Assessed Valuation of \$54,480,438, tax rates of \$1.84 and \$1.72 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to, nor decrease from the 2023 Preliminary Assessed Valuation of \$141,345,975, tax rates of \$0.71 and \$0.67 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owner(s)") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in

part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

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

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

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

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

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

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

practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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 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.” The rule was published in the *Federal Register* on January 18, 2023 and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this 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.

Severe Weather; Potential Impact of Natural Disaster

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

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

National Weather Service Atlas 14 Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim

floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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.

Specific Flood Type Risks

The District may be subject to the following risks:

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

Voters in the District have authorized a total of the following: \$240,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and \$360,000,000 for refunding such bonds; \$42,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads within the District (the "Road System") and \$63,000,000 for refunding such bonds; and \$12,000,000 principal amount of unlimited tax bonds for the construction of parks and recreational facilities to serve the District (the "Park System") and \$18,000,000 for refunding such bonds.

Following the issuance of the Bonds, \$226,385,000 principal amount of unlimited tax bonds for the Utility System; \$42,000,000 principal amount of unlimited tax bonds for the Road System; and \$12,000,000 principal amount of unlimited tax bonds for the construction of the Park System will remain authorized but unissued.

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

Following the issuance of the Bonds, the District will owe the Developer approximately \$7,500,000 for District projects for the Utility System, approximately \$7,000,000 for District projects for the Road System and

approximately \$1,390,000 for District projects for the Park System, the funds for which were advanced by the Developer.

Approval of the Bonds

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

2023 Legislative Session

The 88th Regular Legislative Session convened on January 10, 2023, and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Potential Effects of Oil Price Fluctuations on the Houston Area

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District 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 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.

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

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

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

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

Neither the Issuer or Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATING” 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.

THE BONDS

General

The Bonds are dated June 1, 2023 (the “Dated Date”), and will accrue interest from the date of delivery, which is expected to be on or about June 20, 2023 (the “Date of Delivery”), with interest payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is Zions Bancorporation, National Association, Houston, Texas (the “Paying Agent/Registrar”).

Redemption Provisions

Optional Redemption

The Bonds maturing on and after September 1, 2030, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on June 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption. The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile. The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any 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 of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District; if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The Bonds that mature on September 1 in the years 2030, 2032, 2037 and 2047 are term bonds (the “Term Bonds”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$520,000 Term Bonds Maturing on September 1, 2030

Mandatory Redemption Date	Principal Amount
September 1, 2029	\$ 255,000
September 1, 2030 (Maturity)	\$ 265,000

\$575,000 Term Bonds Maturing on September 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2031	\$ 280,000
September 1, 2032 (Maturity)	\$ 295,000

\$730,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2036	\$ 355,000
September 1, 2037 (Maturity)	\$ 375,000

\$1,745,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 555,000
September 1, 2046	\$ 580,000
September 1, 2047 (Maturity)	\$ 610,000

On or before thirty (30) days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds 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 Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Order. The principal amount of the Term Bonds to be mandatorily redeemed on 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 Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this section.

Funds

The Bond Order creates a fund for debt service on the Bonds (the "Utility System Debt Service Fund"). Twelve (12) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, the Outstanding Bonds and any additional unlimited tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, the Outstanding Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, the Outstanding Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner of the Bonds (the "Bondholder(s)"). The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the

denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Record Date for Interest Payment

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

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. The Bonds are obligations of the District and are not the obligations of the State of Texas, Fort Bend County, Texas, the City, or any other political subdivision or any entity other than the District.

Outstanding Bonds

The Bonds are the second series of unlimited tax bonds issued by the District for the Utility System. The District has previously issued one series of unlimited tax bonds for the Utility System: \$4,205,000 Unlimited Tax Bonds, Series 2022, of which \$4,205,000 principal amount remains outstanding (the “Outstanding Bonds”).

Payment Record

The District has never defaulted on the timely payment of debt service on its bonded indebtedness.

Authority for Issuance

At an election held by the District on November 5, 2019, voters in the District authorized a total of the following: \$240,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing Utility System and \$360,000,000 for refunding such bonds; \$42,000,000 principal amount of unlimited tax bonds for the purpose of constructing the Road System and \$63,000,000 for refunding such bonds; and \$12,000,000 principal amount of unlimited tax bonds for the construction of the Park System and \$18,000,000 for refunding such bonds.

Following the issuance of the Bonds, \$226,385,000 principal amount of unlimited tax bonds for the Utility System; \$42,000,000 principal amount of unlimited tax bonds for the Road System; and \$12,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued.

The Bonds are issued pursuant to an order of the TCEQ dated May 5, 2023; the Bond Order; an election held within the District on November 5, 2019; Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended; and Chapter 8068, Texas Special District Local Laws Code, as amended.

Issuance of Additional Debt

Voters in the District have authorized the following: \$240,000,000 principal amount of unlimited tax bonds for the Utility System and \$360,000,000 for refunding such bonds; \$42,000,000 principal amount of unlimited tax bonds for the Road System and \$63,000,000 for refunding such bonds, and \$12,000,000 principal amount of unlimited tax bonds for the Park System and \$18,000,000 for refunding such bonds.

Following the issuance of the Bonds, \$226,385,000 principal amount of unlimited tax bonds for the Utility System; \$42,000,000 principal amount of unlimited tax bonds for the Road System; and \$12,000,000 principal amount of unlimited tax bonds for the Park System will remain authorized but unissued.

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

Following the issuance of the Bonds, the District will owe the Developer approximately \$7,500,000 for District projects for the Utility System, approximately \$7,000,000 for District projects for the Road System and approximately \$1,390,000 for District projects for the Park System, the funds for which were advanced by the Developer.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District’s engineer, Costello Engineering & Surveying, Houston, Texas (the “Engineer”), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, and to finance the remaining undeveloped land within the District. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE SYSTEM,” and “RISK FACTORS – Future Debt.”

Short-Term Debt

In connection with the Bonds, the District issued its \$5,080,000 Bond Anticipation Note, Series 2022, dated November 3, 2022 (the “BAN”). The BAN accrues interest at a rate of 4.880% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on November 2, 2023. Proceeds from the sale of

the BAN were used to reimburse the Developer for a portion of the costs associated with the projects set out herein under "USE AND DISTRIBUTION OF BOND PROCEEDS."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

No Arbitrage

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

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District's consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. The Utility Agreement (as herein defined) between the City and the District places certain restrictions on the City's right to dissolve the District. See "THE SYSTEM — Description of the Utility Agreement". If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) and abolish the District. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Consolidation

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

Defeasance

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

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- (a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the securities. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a AA+ rating from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

USE AND DISTRIBUTION OF BOND PROCEEDS

A portion of the proceeds from the sale of the Bonds will be used to redeem the BAN and reimburse the Developer for the construction costs set out below. In addition, a portion of the proceeds from the sale of the Bonds will be used to pay twelve (12) months of capitalized interest, BAN interest, developer interest, and other certain costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus funds may be used with approval of the TCEQ.

<u>Construction Costs</u>	<u>District’s Share</u>
A. Developer Items	
1. Detention Pond Improvements	\$ 386,301
2. Clearing and Grubbing	301,607
3. Offsite 16-inch Water Line and 8-Inch Force Main	620,754
4. Lift Station No. 1	906,064
5. Section 1 - W, WW & D	1,452,354
6. Section 2 - W, WW & D	1,357,652
7. Section 3 - W, WW & D	385,472
8. SWPPP	228,773
9. Materials Testing/Lab	69,983
10. Engineering	805,261
11. Land Costs	<u>33,763</u>
Total Developer Contribution Items	\$ 6,547,984
 B. District Items	
City of Rosenberg Impact Fees	\$ <u>381,105</u>
Total District Contribution Items	\$ 381,105
 Total Construction Costs	 \$ 6,929,089
 <u>Non-Construction Costs</u>	
A. Legal Fees	\$ 250,250
B. Fiscal Agent Fees	188,200
C. Interest	
1. Developer Interest	816,472
2. Capitalized Interest (12 Months)	439,381
3. BAN Interest	157,695
D. Bond Discount	282,300
E. Bond Issuance Expenses	38,152
F. BAN Issuance Expenses	115,377
G. Bond Application Report Cost	60,000
H. Attorney General Fee (0.1% up to \$9,500)	9,410
I. TCEQ Bond Issuance Fee	23,525
I. Contingency (a)	<u>100,149</u>
Total Non-Construction Costs	\$ 2,480,911
 TOTAL BOND ISSUE REQUIREMENT	 \$ 9,410,000

(a) Represents the difference between the estimated and actual BAN interest and capitalized interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds

may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by an order of the TCEQ on November 5, 2019, and operates pursuant to Article XVI, Section 59 of the Constitution of the State of Texas and Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 8068, Texas Special District Local Laws Code, as amended.

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

Description and Location

The District comprises approximately 210 acres and is located in Fort Bend County approximately 32 miles west of the central downtown business district of the City of Houston and approximately 4 miles south of the downtown business district of the City. The District lies wholly within the city limits of the City and within the boundaries of Lamar Consolidated Independent School District. The District is approximately 1.5 miles south of US Highway 59/Interstate 69; and approximately 1 mile east of State Highway 36. FM 2218 borders the west side of the District.

Management of the District

- Board of Directors -

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

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
James Grissom	President	2026
Shanda Conroy	Vice President	2026
Whitney Aelmore	Secretary	2024
Bedros Bedrosian	Assistant Secretary	2024
Ali McDonald Willard	Assistant Secretary	2026

- Consultants -

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

Bookkeeper: The District’s bookkeeper is L&S District Services, LLC.

System Operator: The City of Rosenberg operates the Utility System serving the District.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District’s financial statements annually, which financial statements are filed with the TCEQ. McGrath & Co., PLLC audited the financial statements of the District for the fiscal year ending November 30, 2022. See “APPENDIX A.”

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Costello Engineering & Surveying, Houston, Texas.

Bond Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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

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

THE DEVELOPER

The Role of a Developer

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

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

The Developer

The developer of land within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership d/b/a Friendswood Development Company ("Lennar Homes" or the "Developer"). The Developer is indirectly owned by Lennar Corporation.

Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <http://phx.corporate-ir.net/phoenix.zhtml?c=65842&p=irol-irhome>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar can be inspected at the office of the SEC at Judiciary Plaza, Room 1024,

450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

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

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DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Approximately 171.97 acres (645 lots) within the District have been developed as the single-family residential subdivision of Sendero, Sections 1-9. As of April 14, 2023, the District consisted of 389 completed homes, 83 homes under construction and 173 vacant developed lots. The remaining land within the District contains approximately 38.33 undevelopable acres.

The following is a status of construction of single-family housing within the District as of April 14, 2023:

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
				<u>Complete</u>	<u>Under Construction</u>	
Sendero, Section 1	Single Family	35.55	113	109	0	4
Sendero, Section 2	Single Family	28.91	111	109	0	2
Sendero, Section 3	Single Family	11.11	43	43	0	0
Sendero, Section 4	Single Family	16.59	62	62	0	0
Sendero, Section 5	Single Family	15.13	57	57	0	0
Sendero, Section 6	Single Family	15.74	65	9	52	4
Sendero, Section 7	Single Family	15.59	53	0	20	33
Sendero, Section 8	Single Family	19.21	80	0	11	69
Sendero, Section 9	Single Family	14.14	61	0	0	61
Approximate Total		171.97	645	389	83	173
Undevelopable	38.33					
Under Development	0.0					
Remaining Developable	0.0					
Total District Acreage	210.30					

Homebuilders Active Within the District

Lennar Homes is the sole homebuilder within the District. Prices of new homes being constructed within the District range from approximately \$305,000 to approximately \$514,000. Homes range in square footage from approximately 1,444 square feet to approximately 3,029 square feet.

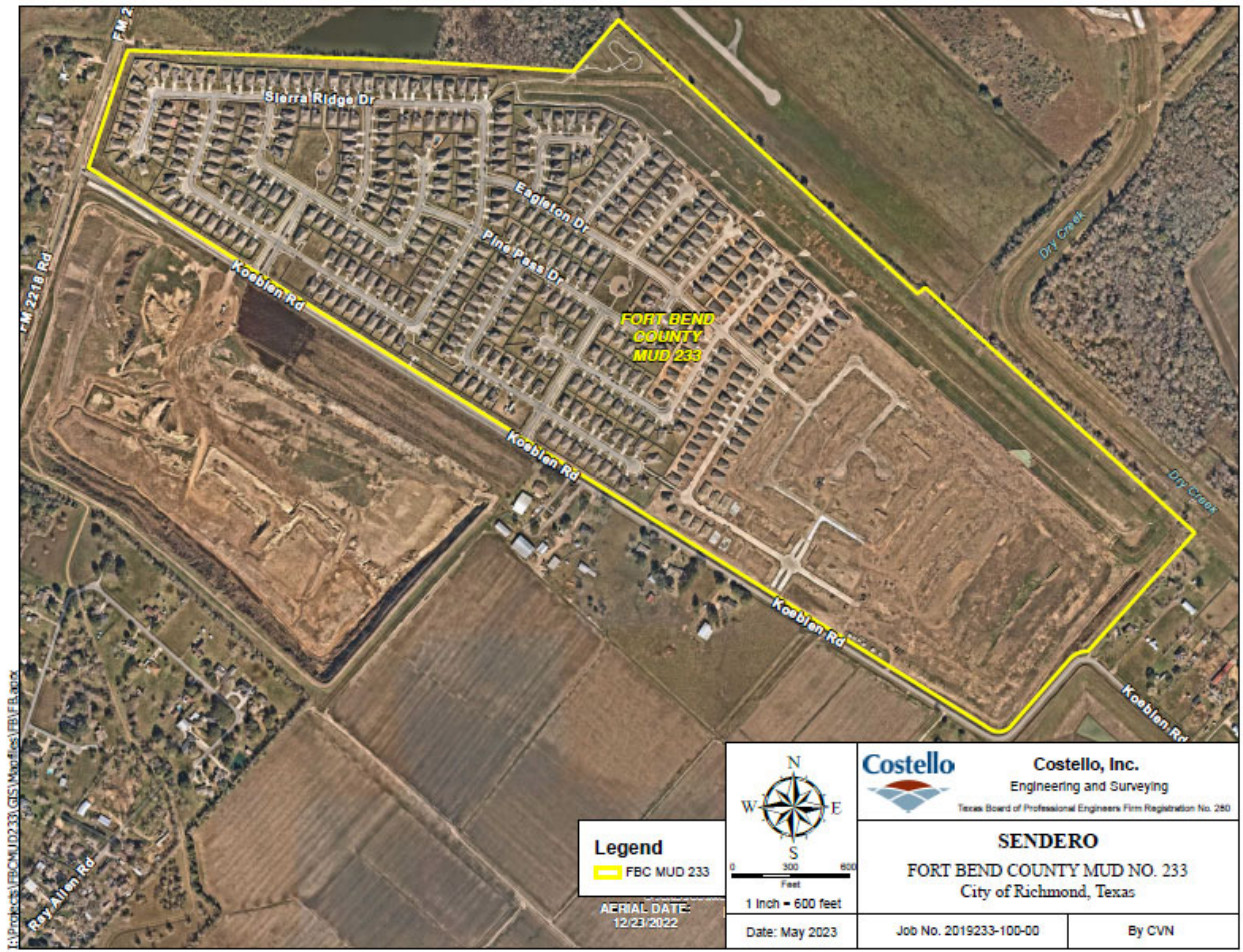
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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(May 2023)



AERIAL PHOTOGRAPH OF THE DISTRICT



TAX DATA

General

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

Tax Rate Limitation

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

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the debt service requirements on the Bonds. The Board levied a 2022 tax rate of \$0.42 per \$100 of assessed valuation for debt service on the Bonds issued for the Utility System.

Maintenance and Operations Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 5, 2019, the Board was authorized to levy a maintenance and operations tax for the District's Utility System and Road System improvements, each in an amount not to exceed \$1.50 per \$100 assessed valuation, and \$0.10 per \$100 of assessed valuations for parks and recreational facilities. The Board levied a 2022 tax rate of \$0.48 per \$100 of assessed valuation for maintenance and operation purposes. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemption

As discussed in the section entitled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has not granted a general homestead exemption, a residential homestead exemption to persons 65 years of age or older or to certain other disabled persons for tax year 2023. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019–2022 tax years:

Tax Year (a)	Assessed Valuation	Tax Rate	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 03/31/23
2019	\$ 1,194,900	\$0.885	\$ 10,575	100.00%	2020	100.00%
2020	2,748,396	0.900	24,736	100.00%	2021	100.00%
2021	13,824,227	0.900	124,418	100.00%	2022	100.00%
2022	54,480,438	0.900	490,324	95.95%	2023	95.95%

(a) No taxes were levied prior to 2019.

Tax Rate Distribution

	2022	2021	2020	2019
Debt Service	\$ 0.420	\$ 0.000	\$ 0.000	\$ 0.000
Maintenance & Operation	<u>0.480</u>	<u>0.900</u>	<u>0.900</u>	<u>0.885</u>
Total	\$ 0.900	\$ 0.900	\$ 0.900	\$ 0.885

Analysis of Tax Base

The following table illustrates the District’s total assessed value in the tax years 2019–2022 by type of property.

Type of Property	2022 Assessed Valuation	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation
Land	\$ 14,986,820	\$ 11,423,889	\$ 2,748,396	\$ 2,708,300
Improvements	40,582,080	2,424,170	0	0
Personal Property	115,260	22,660	0	0
Exemptions	<u>(1,203,722)</u>	<u>(46,493)</u>	<u>(0)</u>	<u>(1,513,400)</u>
Total	\$ 54,480,438	\$ 13,824,227	\$ 2,748,396	\$ 1,194,900

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	Percentage of Assessed Valuation 2022 Tax Roll
Friendswood Development Co. (a)	Land & Improvements	\$ 2,030,108	3.73 %
AG Essential Housing Multi State 2	Land & Improvements	1,173,400	2.15
Hudson SFR Property Holdings II LLC	Land & Improvements	678,550	1.25
Homeowner	Land & Improvements	494,080	0.91
Homeowner	Land & Improvements	481,660	0.88
Homeowner	Land & Improvements	468,630	0.86
Homeowner	Land & Improvements	447,680	0.82
Homeowner	Land & Improvements	446,830	0.82
Homeowner	Land & Improvements	444,590	0.82
Homeowner	Land & Improvements	<u>438,610</u>	<u>0.81</u>
Total		<u>\$ 7,104,138</u>	13.04%
% of Respective Tax Roll			

(a) See “THE DEVELOPER”.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District occurs beyond the 2022 Certified Assessed Valuation (\$54,480,438) and the 2023 Preliminary Assessed Valuation (\$141,345,975). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District except the Bonds:

Average Annual Debt Service Requirements (2023–2048).....	\$ 886,981
Tax Rate of \$1.72 on the 2022 Certified Assessed Valuation produces.....	\$ 890,210
Tax Rate of \$0.67 on the 2023 Preliminary Assessed Valuation produces.....	\$ 899,667
Maximum Annual Debt Service Requirements (2048).....	\$ 947,663
Tax Rate of \$1.84 on the 2022 Certified Assessed Valuation produces.....	\$ 952,318
Tax Rate of \$0.71 on the 2023 Preliminary Assessed Valuation produces.....	\$ 953,379

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds. See “TAX DATA – Debt Service Tax”. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate Per \$100 of Assessed Value</u>
The District	\$0.900000
City of Rosenberg	0.355000
Fort Bend County	0.438300
Fort Bend County Drainage District	0.012900
Lamar Consolidated Independent School District	<u>1.242000</u>
Total 2022 Tax Rate	<u>\$2.948200</u>

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DISTRICT DEBT

2022 Certified Assessed Valuation.....	\$ 54,480,438	(a)
2023 Preliminary Assessed Valuation.....	\$ 141,345,975	(b)
Direct Debt:		
Outstanding Bonds.....	\$ 4,205,000	
The Bonds	<u>\$ 9,410,000</u>	
Total.....	\$ 13,615,000	
Estimated Overlapping Debt.....	<u>\$ 6,148,288</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 19,763,288	(c)
Direct Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	24.99	%
As a percentage of 2023 Preliminary Assessed Valuation	9.63	%
Direct and Estimated Overlapping Debt Ratio:		
As a percentage of 2022 Certified Assessed Valuation.....	36.28	%
As a percentage of 2023 Preliminary Assessed Valuation	13.98	%
2022 Tax Rate:		
Utility System Debt Service	\$0.42	
Maintenance & Operation	<u>\$0.48</u>	
Total.....	\$0.90	
Utility System Debt Service Fund (April 21, 2023).....	\$ 194,681	(d)
Operating Fund (as of April 21, 2023).....	\$ 211,358	
Capital Projects Fund (as of April 21, 2023).....	\$ 7,598	
Average Annual Debt Service Requirement (2023–2048)	\$ 886,981	(e)
Maximum Annual Debt Service Requirement (2048).....	\$ 947,663	(e)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirement (2023–2048) at 95% Tax Collections		
Based on 2022 Certified Assessed Valuation	\$1.72	
Based on 2023 Preliminary Assessed Valuation	\$0.67	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement (2048) at 95% Collections		
Based on 2022 Certified Assessed Valuation	\$1.84	
Based on 2023 Preliminary Assessed Valuation	\$0.71	

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as the preliminary value as of January 1, 2023. This value represents the preliminary determination of the taxable value in the District as of January 1, 2023, provided by the Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."
- (c) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Does not include twelve (12) months of capitalized interest on the Bonds that will be deposited to the Utility System Debt Service Fund upon closing.
- (e) Requirement of debt service on the Bonds and the Outstanding Bonds. See "DISTRICT DEBT – Debt Service Requirements."

Debt Service Requirements

The following sets forth annual debt service requirements on the Outstanding Bonds as well as the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	Plus: The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2023	\$ 103,356	\$ -	\$ -	\$ -	\$ 103,356
2024	301,713	110,000	526,037	636,037	937,749
2025	300,656	210,000	432,231	642,231	942,888
2026	299,281	220,000	418,581	638,581	937,863
2027	297,588	230,000	404,281	634,281	931,869
2028	290,575	240,000	389,331	629,331	919,906
2029	288,563	255,000	373,731	628,731	917,294
2030	291,231	265,000	357,156	622,156	913,388
2031	288,263	280,000	339,931	619,931	908,194
2032	285,463	295,000	321,731	616,731	902,194
2033	282,363	310,000	302,556	612,556	894,919
2034	280,363	325,000	287,056	612,056	892,419
2035	283,113	340,000	274,056	614,056	897,169
2036	280,363	355,000	260,456	615,456	895,819
2037	277,363	375,000	246,256	621,256	898,619
2038	279,113	395,000	231,256	626,256	905,369
2039	275,363	415,000	215,456	630,456	905,819
2040	276,363	435,000	198,856	633,856	910,219
2041	276,863	455,000	181,456	636,456	913,319
2042	276,863	480,000	163,256	643,256	920,119
2043	277,675	505,000	144,056	649,056	926,731
2044	273,050	530,000	123,225	653,225	926,275
2045	274,331	555,000	101,363	656,363	930,694
2046	280,225	580,000	77,775	657,775	938,000
2047	280,538	610,000	53,125	663,125	943,663
2048	280,463	640,000	27,200	667,200	947,663
Total	\$ 7,201,094	\$ 9,410,000	\$ 6,450,418	\$ 15,860,418	\$ 23,061,512

Average Annual Debt Service Requirement (2023–2048) \$886,981
 Maximum Annual Debt Service Requirement (2048)..... \$947,663

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Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	03/31/2023	Percent	Amount
Fort Bend County	\$ 820,682,050	0.06 %	\$ 453,860
Fort Bend County Drainage District	23,615,000	0.06 %	13,198
Lamar Consolidated ISD	2,312,735,000	0.22 %	5,101,599
City of Rosenberg	39,342,000	1.47 %	<u>579,631</u>
Total Estimated Overlapping Debt.....			\$ 6,148,288
The District (a).....			<u>\$13,615,000</u>
Total Direct & Estimated Overlapping Debt (a).....			<u>\$19,763,288</u>

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio:

As a percentage of 2022 Certified Assessed Valuation.....	24.99 %
As a percentage of 2023 Preliminary Assessed Valuation	9.63 %

Direct and Estimated Overlapping Debt Ratio:

As a percentage of 2022 Certified Assessed Valuation.....	36.28 %
As a percentage of 2023 Preliminary Assessed Valuation	13.98 %

THE SYSTEM

General

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

Description of the Utility Agreement

The District has entered into the Water Supply, Wastewater, and Drainage Services Agreement dated July 16, 2019, with the City for the City to be the wholesale provider of water, wastewater, and drainage services to the District (the “Utility Agreement”). Pursuant to the Utility Agreement, the District assumed the responsibility for acquiring, constructing, operating, and maintaining the water distribution, wastewater collection, and drainage facilities to serve development occurring within the boundaries of the District (the “Facilities”) and the City agreed to provide the District with its ultimate capacity needs for water supply and wastewater service. Per the Utility Agreement, the City operates and maintains the Facilities at its sole expense. All revenues from

the Facilities belong exclusively to the City. The City is responsible for providing and installing any necessary meters with the individual customers.

- Water Supply and Distribution -

According to the Utility Agreement, the City has agreed to provide capacity to serve up to 675 equivalent single-family connections (“ESFCs”) within the District.

- Wastewater Treatment -

According to the Utility Agreement, the City has agreed to provide capacity to serve up to 869 ESFCs of wastewater treatment to the District. The District will utilize 800 ESFCs of permanent wastewater capacity in the City’s wastewater treatment plant. The District pays the City \$4,075 per single family connection of which \$1,234 is for sewer as connection fees for permanent capacity in the wastewater treatment plant.

- Drainage -

The District drains into a detention pond which outfalls to Dry Creek thence to Smithers Lake thence to the Brazos River.

- Floodplain -

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

According to the FEMA Flood Insurance Rate Map No. 48157C0245L dated April 2, 2014, indicates that the District lies outside of the 0.2% annual chance floodplain.

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

Description of the Road System

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

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Historical Operating Statement

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

	Fiscal Year Ended November 30,			
	2022	2021	2020	2019 (a)
REVENUES				
Property Taxes	\$123,314	\$ 24,736	\$ 10,575	\$ -
Miscellaneous	-	2	-	-
Investment earnings	-	22	-	-
TOTAL REVENUES	\$123,314	\$ 24,760	\$ 10,575	\$ -
EXPENDITURES:				
Current Service Operations				
Professional Fees	\$ 55,997	\$ 70,903	\$ 36,677	\$ 21,208
Contracted Services	5,561	9,265	2,096	-
Repairs and Maintenance	49,299	17,202	-	-
Administrative	9,108	10,201	7,373	4,108
Other	7,740	30	-	24
Capital outlay	-	-	22,474	-
TOTAL EXPENDITURES	\$127,705	\$107,601	\$ 68,620	\$ 25,340
Revenues Over (Under) Expenditures	\$ (4,391)	\$(82,841)	\$ (58,045)	\$ (25,340)
Other Financing Sources				
Developer Advances	\$ -	\$ 84,295	\$ 84,474	\$ 3,000
Net Change in Fund Balance	\$ (4,391)	\$ 1,454	\$ 26,429	\$ (22,340)
Beginning Fund Balance	\$ 5,543	\$ 4,089	\$ (22,340)	\$ -
Ending Fund Balance	\$ 1,152	\$ 5,543	\$ 4,089	\$ (22,340)

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the District's operation and maintenance, Utility System, Road System, Park System and for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA – Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Fort Bend Central Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Fort Bend Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

In addition, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated at no cost by a charitable organization at some or no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse

of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply, for 2012 and subsequent tax years, to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action related to taxation of goods-in-transit, and accordingly, the exemption is not available within the District. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

The County and/or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and/or the City and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. To date, the County and/or City has not designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market

value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision 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.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor of Texas (the "Governor"). 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, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

Notice and Hearing Procedures

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2022 tax year, the District was qualified as a "Developing District" by the Board of Directors. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the

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

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, 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 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) 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 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.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records. See "RISK FACTORS - General" and "RISK FACTORS - Tax Collection Limitations."

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal 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 and the approving legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the federal alternative minimum tax.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT," "THE BONDS (except under the subheading "Registered Owner's Remedies)," "TAXING PROCEDURES," "THE SYSTEM – Description of the Utility Agreement," "LEGAL MATTERS – Legal Proceedings," "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

The legal fees paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) 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 Code) for the purpose of determining the alternative minimum tax imposed on corporations. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds

presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

Proposed Tax Legislation

If enacted, potential tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

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 "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of this Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover, 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 (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale, or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be

determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale, or other disposition of such Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership and redemption, sale, or other disposition of such Bonds.

Collateral Federal Income Tax Consequences

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

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

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

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

Qualified Tax-Exempt Obligations

The District has designated the Bonds as “qualified tax-exempt obligations” and will represent that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2023. Pursuant to Section 265 of the Code, a qualifying financial institution may be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated bank-qualified investments. Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

The discussion contained herein may not be exhaustive. Investors, including those who are subject to special provisions of the code, should consult their own tax advisors as to the tax treatment which may be anticipated to result from the purchase, ownership, and disposition of tax-exempt obligations before determining whether to purchase the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Pursuant to these covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its function as a repository, through its Electronic Municipal Market Access ("EMMA") system, available at www.emma.msrb.org.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in "TAX DATA," "DISTRICT DEBT," except "- Estimated Direct and Overlapping Debt Statement" and "APPENDIX A" (Audited Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2023. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule, the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the MSRB consistent with 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 Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide

financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of such Rule are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The Bonds are the second issuance of bonded indebtedness by the District. The District has complied in all material respects with its continuing disclosure agreement made pursuant to SEC Rule 15c2-12.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: “THE DISTRICT” and “THE SYSTEM,” – the Engineer; “THE DEVELOPER,” “DEVELOPMENT WITHIN THE DISTRICT” – the Developer, “TAX DATA,” “THE BONDS,” “THE SYSTEM – Description of the Utility Agreement,” “CONTINUING DISCLOSURE OF INFORMATION,” “TAXING PROCEDURES,” “LEGAL MATTERS,” and “TAX MATTERS” – Bond Counsel.

The District’s financial statements for the fiscal year ended November 30, 2022, were audited by McGrath & Co., PLLC, and have been attached hereto as “APPENDIX A.” McGrath & Co., PLLC, has agreed to the publication of such financial statements as part of this Official Statement.

Experts

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

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

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Fort Bend County Municipal Utility District No. 233 as of the date shown on the first page hereof.

/s/ James Grissom
President, Board of Directors
Fort Bend County Municipal Utility District No. 233

ATTEST:

/s/ Whitney Aelmore
Secretary, Board of Directors
Fort Bend County Municipal Utility District No. 233

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

**FORT BEND COUNTY MUNICIPAL
UTILITY DISTRICT NO. 233**

FORT BEND COUNTY, TEXAS

FINANCIAL REPORT

November 30, 2022

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Fort Bend County Municipal Utility District No. 233
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 233 (the "District"), as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fort Bend County Municipal Utility District No. 233, as of November 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Directors
Fort Bend County Municipal Utility District No. 233
Fort Bend County, Texas***

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, P.C.C.

Houston, Texas
April 21, 2023

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Management's Discussion and Analysis

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***Fort Bend County Municipal Utility District No. 233
Management's Discussion and Analysis
November 30, 2022***

Using this Annual Report

Within this section of the financial report of Fort Bend County Municipal Utility District No. 233 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended November 30, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at November 30, 2022, was negative \$14,110,398. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities (with the exception of stormwater detention facilities) and public roads which it conveys to the City of Rosenberg and relies on advances from its developer to fund operating costs. A comparative summary of the District's overall financial position, as of November 30, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 671,669	\$ 112,650
Capital assets	4,915,399	4,997,602
Total assets	<u>5,587,068</u>	<u>5,110,252</u>
Current liabilities	5,224,783	2,756,116
Long-term liabilities	13,990,328	12,829,520
Total liabilities	<u>19,215,111</u>	<u>15,585,636</u>
Total deferred inflows of resources	<u>482,355</u>	<u>48,629</u>
Net position		
Net investment in capital assets	(446,452)	(91,017)
Restricted	65,976	
Unrestricted	<u>(13,729,922)</u>	<u>(10,432,996)</u>
Total net position	<u>\$ (14,110,398)</u>	<u>\$ (10,524,013)</u>

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The total net position of the District decreased during the current fiscal year by \$3,586,385. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2022	2021
Revenues		
Property taxes, penalties and interest	\$ 125,471	\$ 24,736
Other	979	24
Total revenues	<u>126,450</u>	<u>24,760</u>
Expenses		
Operating and administrative	201,002	173,571
Debt interest and fees	128,549	966
Developer interest	352,905	
Debt issuance costs	524,258	61,445
Depreciation and amortization	48,841	23,937
Total expenses	<u>1,255,555</u>	<u>259,919</u>
Change in net position before other item	(1,129,105)	(235,159)
Other item		
Transfers to other governments	<u>(2,457,280)</u>	<u>(7,925,050)</u>
Change in net position	(3,586,385)	(8,160,209)
Net position, beginning of year	<u>(10,524,013)</u>	<u>(2,363,804)</u>
Net position, end of year	<u>\$ (14,110,398)</u>	<u>\$ (10,524,013)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of November 30, 2022, were \$140,793, which consists of \$52,064 in the General Fund, \$144,749 in the Debt Service Fund, and negative \$56,020 in the Capital Projects Fund.

General Fund

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

	2022	2021
Total assets	<u>\$ 357,837</u>	<u>\$ 124,322</u>
Total liabilities	\$ 47,413	\$ 70,150
Total deferred inflows	258,360	48,629
Total fund balance	<u>52,064</u>	<u>5,543</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 357,837</u>	<u>\$ 124,322</u>

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

	2022	2021
Total revenues	\$ 123,314	\$ 24,760
Total expenditures	<u>(127,705)</u>	<u>(107,601)</u>
Revenues under expenditures	(4,391)	(82,841)
Other changes in fund balance	<u>50,912</u>	<u>84,295</u>
Net change in fund balance	<u>\$ 46,521</u>	<u>\$ 1,454</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2021 levy was recognized as revenues in the 2022 fiscal year, while the 2020 levy was recognized in the 2021 fiscal year (to the extent that these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.
- The District's developer advances funds to the District as needed to pay operating costs.

Debt Service Fund

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

Total assets	<u>\$ 369,852</u>
Total liabilities	\$ 4
Total deferred inflows	225,099
Total fund balance	<u>144,749</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 369,852</u>

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

Total revenues	\$ 2,032
Total expenditures	<u>(9,546)</u>
Revenues under expenditures	(7,514)
Other changes in fund balance	<u>152,263</u>
Net change in fund balance	<u>\$ 144,749</u>

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

Capital Projects Fund

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

	2022	2021
Total assets	\$ 14,167	\$ -
Total liabilities	\$ 70,187	\$ 11,672
Total fund balance	(56,020)	(11,672)
Total liabilities and fund balance	\$ 14,167	\$ -

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

	2022	2021
Total revenues	\$ -	\$ -
Total expenditures	(6,497,173)	(2,597,903)
Revenues under expenditures	(6,497,173)	(2,597,903)
Other changes in fund balance	6,452,825	2,586,231
Net change in fund balance	\$ (44,348)	\$ (11,672)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2022 Unlimited Tax Bonds and Series 2022 Bond Anticipation Note in the current year and issuance of its Series 2021 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$46,521 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of

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Management’s Discussion and Analysis
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future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

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

	2022	2021
Capital assets not being depreciated/amortized		
Land and improvements	\$ 3,817,770	\$ 4,542,798
Capital assets being depreciated/amortized		
Landscaping improvements	792,463	478,741
Impact fees	377,944	
	1,170,407	478,741
Less accumulated depreciation/amortization		
Landscaping improvements	(63,560)	(23,937)
Impact fees	(9,218)	
	(72,778)	(23,937)
Depreciable capital assets, net	1,097,629	454,804
Capital assets, net	\$ 4,915,399	\$ 4,997,602

Capital asset additions during the current year include the following:

- Sendero Section 2 hardscape improvements
- Sendero Section 3 landscape improvements
- Sendero Section 5 sidewalks

The District and the City of Rosenberg (the “City”) have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. The City also assumes responsibility for public road facilities constructed within the boundaries of the City. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended November 30, 2022, capital assets in the amount of \$2,457,280 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of November 30, 2022, the District owes approximately \$9,785,328 to developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$8,392,408 for projects under construction by the developer. As noted, the District will owe its developer for these projects upon

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completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is accrued up when the developer is reimbursed.

During the current year, the District issued \$4,205,000 in unlimited tax bonds, all of which were outstanding as of the end of the fiscal year. The District did not have any bonded debt as of November 30, 2021.

At November 30, 2022, the District had \$235,795,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$360,000,000 for the refunding of such bonds; \$42,000,000 for road improvements and \$63,000,000 for the refunding of such bonds; \$12,000,000 for parks and recreational facilities and \$18,000,000 for the refunding of such bonds.

During the current year, the District issued a \$5,080,000 bond anticipation note (the “BAN”) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year’s Budget

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

	<u>2022 Actual</u>	<u>2023 Budget</u>
Total revenues	\$ 123,314	\$ 259,165
Total expenditures	(127,705)	(154,148)
Revenues over/(under) expenditures	(4,391)	105,017
Other changes in fund balance	<u>50,912</u>	
Net change in fund balance	46,521	105,017
Beginning fund balance	<u>5,543</u>	<u>52,064</u>
Ending fund balance	<u><u>\$ 52,064</u></u>	<u><u>\$ 157,081</u></u>

Property Taxes

The District’s property tax base increased approximately \$39,771,000 for the 2022 tax year from \$13,824,227 to \$53,595,063. This increase was primarily due to new construction in the District and increased property values. For the 2022 tax year, the District has levied a maintenance tax rate of \$0.48 per \$100 of assessed value and a debt service tax rate of \$0.42 per \$100 of assessed value, for a total combined tax rate of \$0.90 per \$100 of assessed value. Tax rate for the 2021 tax year was \$0.90 per \$100 of assessed value, all of which was allocated to maintenance and operations.

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Basic Financial Statements

Fort Bend County Municipal Utility District No. 233
Statement of Net Position and Governmental Funds Balance Sheet
November 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 6,043	\$ 174,688	\$ 14,167	\$ 194,898	\$ -	\$ 194,898
Taxes receivable	254,793	221,978		476,771		476,771
Internal balances	97,001	(26,814)	(70,187)			
Capital assets not being depreciated					3,817,770	3,817,770
Capital assets, net					1,097,629	1,097,629
Total Assets	\$ 357,837	\$ 369,852	\$ (56,020)	\$ 671,669	4,915,399	5,587,068
Liabilities						
Accounts payable	\$ 47,413	\$ -	\$ -	\$ 47,413		47,413
Other payables		4		4		4
Accrued interest payable					97,366	97,366
Bond anticipation note payable					5,080,000	5,080,000
Due to developer					9,785,328	9,785,328
Long-term debt						
Due after one year					4,205,000	4,205,000
Total Liabilities	47,413	4		47,417	19,167,694	19,215,111
Deferred Inflows of Resources						
Deferred property taxes	258,360	225,099		483,459	(1,104)	482,355
Fund Balances/Net Position						
Fund Balances						
Restricted		144,749		144,749	(144,749)	
Unassigned	52,064		(56,020)	(3,956)	3,956	
Total Fund Balances	52,064	144,749	(56,020)	140,793	(140,793)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 357,837	\$ 369,852	\$ (56,020)	\$ 671,669		
Net Position						
Net investment in capital assets					(446,452)	(446,452)
Restricted for debt service					65,976	65,976
Unrestricted					(13,729,922)	(13,729,922)
Total Net Position					\$ (14,110,398)	\$ (14,110,398)

See notes to basic financial statements.

Fort Bend County Municipal Utility District No. 233

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended November 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 123,314	\$ -	\$ -	\$ 123,314	\$ 1,104	\$ 124,418
Penalties and interest		1,053		1,053		1,053
Miscellaneous		898		898		898
Investment earnings		81		81		81
Total Revenues	123,314	2,032		125,346	1,104	126,450
Expenditures/Expenses						
Operating and administrative						
Professional fees	55,997	738	63,571	120,306		120,306
Contracted services	5,561	7,237		12,798		12,798
Repairs and maintenance	49,299			49,299		49,299
Administrative	9,108	985		10,093		10,093
Other	7,740	586	180	8,506		8,506
Capital outlay			5,524,110	5,524,110	(5,524,110)	
Debt service						
Interest and fees			32,149	32,149	96,400	128,549
Developer interest			352,905	352,905		352,905
Debt issuance costs			524,258	524,258		524,258
Depreciation and amortization					48,841	48,841
Total Expenditures/Expenses	127,705	9,546	6,497,173	6,634,424	(5,378,869)	1,255,555
Revenues Under Expenditures /Expenses	(4,391)	(7,514)	(6,497,173)	(6,509,078)	5,379,973	(1,129,105)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		147,175	4,057,825	4,205,000	(4,205,000)	
Proceeds from bond anticipation note			5,080,000	5,080,000	(5,080,000)	
Repayment of bond anticipation note			(2,685,000)	(2,685,000)	2,685,000	
Developer advances	56,000			56,000	(56,000)	
Internal transfers	(5,088)	5,088				
Other Item						
Transfers to other governments					(2,457,280)	(2,457,280)
Net Change in Fund Balances	46,521	144,749	(44,348)	146,922	(146,922)	
Change in Net Position					(3,586,385)	(3,586,385)
Fund Balances/Net Position						
Beginning of the year	5,543		(11,672)	(6,129)	(10,517,884)	(10,524,013)
End of the year	\$ 52,064	\$ 144,749	\$ (56,020)	\$ 140,793	\$ (14,251,191)	\$ (14,110,398)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Fort Bend County Municipal Utility District No. 233 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to House Bill No. 2060, in the 86th Regular Session of the Texas Legislature, codified as Chapter 8068, Special District Local Laws Code (the “Act”) dated June 10, 2019, in accordance with Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and the Act and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 8, 2019, and the first bonds were issued on July 14, 2022.

The District is responsible for providing water, sewer and drainage facilities and road improvements within the District. As further discussed in Note 11, the District transfers the water, sewer and certain drainage facilities (except detention ponds) and public roads to the City of Rosenberg for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

Use of Restricted Resources

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

Receivables

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

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of landscaping improvements, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Landscaping improvements	20 years
Impact fees	Remaining life of contract

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

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2022 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2022 property tax levy, which was levied to finance the 2023 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balance consists of capitalized interest from the sale of bonds in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

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

Unassigned - all other spendable amounts in the General Fund and deficit balance in the Capital Projects Fund.

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

Use of Estimates

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

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds	\$	140,793
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 4,988,177	
Less accumulated depreciation/amortization	<u>(72,778)</u>	
Change due to capital assets		4,915,399

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(4,205,000)	
Bond anticipation note payable	(5,080,000)	
Interest payable on bonds	<u>(97,366)</u>	
Change due to long-term debt		(9,382,366)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		(9,785,328)
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The unavailable portion of property taxes receivable and collections of the 2022 property tax levy are reported as deferred inflows in the fund financial statements. In the government-wide statements, however, deferred inflows consist of the entire 2022 property tax levy.

Fund level deferred property taxes	483,459	
Government-wide level deferred property taxes	<u>(482,355)</u>	
		1,104

Total net position - governmental activities	\$	<u><u>(14,110,398)</u></u>
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Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

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

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

Net change in fund balances - total governmental funds \$ 146,922

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 1,104

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

Capital outlays	\$ 5,524,110	
Depreciation/amortization expense	(48,841)	
		5,475,269

The issuance of a bond anticipation note provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(4,205,000)	
Issuance of bond anticipation note	(5,080,000)	
Repayment of bond anticipation note	2,685,000	
Interest expense accrual	(96,400)	
		(6,696,400)

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (56,000)

The District conveys certain infrastructure and public roads to the City of Rosenberg upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (2,457,280)

Change in net position of governmental activities \$ (3,586,385)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Interfund Balances and Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 26,814	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	70,187	Bond application fees paid by the General Fund

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

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 4 – Interfund Balances and Transactions (continued)

During the current year, the District recorded an internal transfer in the amount of \$5,088 from the General Fund to the Debt Service Fund to recognize maintenance and operation tax collections used to finance tax fund expenditures prior to the collection of debt service taxes.

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated/amortized			
Land and improvements	\$ 4,542,798	\$ (725,028)	\$ 3,817,770
Capital assets being depreciated/amortized			
Landscaping improvements	478,741	313,722	792,463
Impact fees		377,944	377,944
	<u>478,741</u>	<u>691,666</u>	<u>1,170,407</u>
Less accumulated depreciation/amortization			
Landscaping improvements	(23,937)	(39,623)	(63,560)
Impact fees		(9,218)	(9,218)
	<u>(23,937)</u>	<u>(48,841)</u>	<u>(72,778)</u>
Capital assets being depreciated/amortized, net	<u>454,804</u>	<u>642,825</u>	<u>1,097,629</u>
Capital assets, net	<u>\$ 4,997,602</u>	<u>\$ (82,203)</u>	<u>\$ 4,915,399</u>

Depreciation/amortization expense for the current year was \$48,841.

Note 6 – Bond Anticipation Note

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

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of \$2,685,000. This BAN was repaid on July 14, 2022, with proceeds from the issuance of the District’s Series 2022 Unlimited Tax Bonds.

On November 3, 2022, the District issued a \$5,080,000 BAN with an interest rate of 4.88%, which is due on November 2, 2023.

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 6 – Bond Anticipation Note (continued)

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

Beginning balance	\$ 2,685,000
Amounts borrowed	5,080,000
Amounts repaid	<u>(2,685,000)</u>
Ending balance	<u><u>\$ 5,080,000</u></u>

Note 7 – Due to Developer

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

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

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

Due to developer, beginning of year	\$ 12,829,520
Developer reimbursements	(5,524,110)
Developer funded construction and adjustments	2,423,918
Operating advances from developer	<u>56,000</u>
Due to developer, end of year	<u><u>\$ 9,785,328</u></u>

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 7 – Due to Developer (continued)

In addition, the District will owe the developer approximately \$8,392,408, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percentage Completed
Sendero Section 4 - landscaping improvements	\$ 205,478	82%
Sendero Section 5 - softscape	110,234	62%
Sendero Section 6 - utilities and paving	2,432,178	72%
Sendero Section 7 - utilities	955,057	83%
Sendero Section 7 - paving	1,040,300	1%
Sendero Section 8 - utilities	1,210,201	60%
Sendero Section 8 - paving	964,873	0%
Sendero Section 9 - utilities	781,227	0%
Sendero Section 9 - paving	692,860	0%
	<u>\$ 8,392,408</u>	

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 4,205,000</u>
Due within one year	<u>\$ -</u>

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

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date,		Call Dates
				Serially, Beginning/ Ending	Interest Payment Dates	
2022	\$ 4,205,000	\$ 4,205,000	3.875% - 6.375%	September 1, 2024/2048	March 1, September 1	July 1, 2029

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

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 8 – Long-Term Debt (continued)

At November 30, 2022, the District had authorized but unissued bonds in the amount of \$235,795,000 for water, sewer and drainage facilities and \$360,000,000 for the refunding of such bonds; \$42,000,000 for road improvements and \$63,000,000 for the refunding of such bonds; and \$12,000,000 for parks and recreational facilities and \$18,000,000 for the refunding of such bonds.

On July 14, 2022, the District issued its \$4,205,000 Series 2022 Unlimited Tax Bonds at a net effective interest rate of 4.728814%. Proceeds of the bonds were used to (1) reimburse developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$2,685,000 BAN issued in the previous fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	\$ -
Bonds issued	4,205,000
Bonds payable, end of year	<u><u>\$ 4,205,000</u></u>

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 8 – Long-Term Debt (continued)

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

Year	Principal	Interest	Totals
2023	\$ -	\$ 233,700	\$ 233,700
2024	95,000	206,713	301,713
2025	100,000	200,656	300,656
2026	105,000	194,281	299,281
2027	110,000	187,588	297,588
2028	110,000	180,575	290,575
2029	115,000	173,563	288,563
2030	125,000	166,231	291,231
2031	130,000	158,263	288,263
2032	135,000	150,463	285,463
2033	140,000	142,363	282,363
2034	145,000	135,363	280,363
2035	155,000	128,112	283,112
2036	160,000	120,362	280,362
2037	165,000	112,362	277,362
2038	175,000	104,112	279,112
2039	180,000	95,362	275,362
2040	190,000	86,362	276,362
2041	200,000	76,862	276,862
2042	210,000	66,862	276,862
2043	220,000	57,675	277,675
2044	225,000	48,050	273,050
2045	235,000	39,331	274,331
2046	250,000	30,225	280,225
2047	260,000	20,538	280,538
2048	270,000	10,463	280,463
	<u>\$ 4,205,000</u>	<u>\$ 3,126,437</u>	<u>\$ 7,331,437</u>

Note 9 – Property Taxes

On November 13, 2019, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value and a park maintenance tax limited to \$0.10 per \$100 of assessed value. The District has not levied a park maintenance tax. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

Fort Bend County Municipal Utility District No. 233
Notes to Financial Statements
November 30, 2022

Note 9 – Property Taxes (continued)

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$124,418 on the adjusted taxable value of \$13,824,227.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District’s use during the current fiscal year. Consequently, 2022 levy collections in the amount of \$6,688 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2022 tax levy of \$482,355 is reported as deferred inflows. These amounts will be recognized as revenue in 2023.

Property taxes receivable, at November 30, 2022, consisted of the following:

Current year taxes receivable	\$ 475,667
Prior years taxes receivable	1,104
	\$ 476,771

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Rosenberg (the “City”), the District transfers all of its water, sewer and drainage facilities (with the exception of stormwater detention systems) to the City (see Note 11). Additionally, the City assumes responsibility for the public roads constructed within its boundaries. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended November 30, 2022, the District reported transfers to other governments in the amount of \$2,457,280 for projects completed and transferred to the City and developer reimbursements for projects completed in previous fiscal years.

Note 11 – Utility Agreement with the City of Rosenberg

The District lies wholly within the corporate limits of the City of Rosenberg (the “City”). The City provides water and wastewater services to the District pursuant to the Water Supply and Wastewater Services Contract (the “Contract”) executed between the City and the District’s developer dated July 16, 2019. Under the terms of the Contract, the District is obligated to construct the water, wastewater and drainage systems to serve the District and upon completion, to convey all facilities (other than storm water detention facilities) to the City. These facilities are operated and maintained by the City at its sole expense. The City shall rebate revenues generated from the City Drainage Tax Rate to the District. During the current fiscal year, the District did not receive any rebates from the City.

Note 12 – Cost Sharing Agreement

On January 28, 2022, the District entered into a cost sharing agreement with Rosenberg Venture Partners, LLC (“RVP”) to construct a 16-inch water line through the boundaries of the District that will provide land within the District and the land owned by RVP with water service from the City of Rosenberg. Pursuant to the agreement, RVP has agreed to pay \$516,262 for its share of the project and cost of the easement. As of November 30, 2022, this amount is due from RVP.

Note 13 – Risk Management

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

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Required Supplementary Information

*Fort Bend County Municipal Utility District No. 233
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended November 30, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 47,655	\$ 123,314	\$ 75,659
Expenditures			
Operating and administrative			
Professional fees	71,500	55,997	15,503
Contracted services	3,600	5,561	(1,961)
Repairs and maintenance	37,265	49,299	(12,034)
Administrative	9,688	9,108	580
Other	100	7,740	(7,640)
Total Expenditures	<u>122,153</u>	<u>127,705</u>	<u>(5,552)</u>
Revenues Under Expenditures	(74,498)	(4,391)	70,107
Other Financing Sources/(Uses)			
Internal transfers		(5,088)	(5,088)
Developer advances	74,498	56,000	<u>(18,498)</u>
Net Change in Fund Balance		46,521	46,521
Fund Balance			
Beginning of the year	5,543	5,543	
End of the year	<u>\$ 5,543</u>	<u>\$ 52,064</u>	<u>\$ 46,521</u>

Fort Bend County Municipal Utility District No. 233
Notes to Required Supplementary Information
November 30, 2022

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Fort Bend County Municipal Utility District No. 233
TSI-1. Services and Rates
November 30, 2022

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233
TSI-2. General Fund Expenditures
For the Year Ended November 30, 2022

Professional fees	
Legal	\$ 44,280
Audit	9,000
Engineering	2,717
	<u>55,997</u>
Contracted services	
Bookkeeping	<u>5,561</u>
Repairs and maintenance	<u>49,299</u>
Administrative	
Directors fees	4,650
Insurance	3,063
Other	1,395
	<u>9,108</u>
Other	<u>7,740</u>
Total expenditures	<u><u>\$ 127,705</u></u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233
TSI-4. Taxes Levied and Receivable
November 30, 2022

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 48,629	\$ -	\$ 48,629	
Adjustments to Prior Year Tax Levy	75,789		75,789	
Adjusted Receivable	<u>124,418</u>		<u>124,418</u>	
2022 Original Tax Levy	232,964	203,843	436,807	
Adjustments	24,292	21,256	45,548	
Adjusted Tax Levy	<u>257,256</u>	<u>225,099</u>	<u>482,355</u>	
Total to be accounted for	<u>381,674</u>	<u>225,099</u>	<u>606,773</u>	
Tax collections:				
Current year	3,567	3,121	6,688	
Prior year	123,314		123,314	
Total Collections	<u>126,881</u>	<u>3,121</u>	<u>130,002</u>	
Taxes Receivable, End of Year	<u>\$ 254,793</u>	<u>\$ 221,978</u>	<u>\$ 476,771</u>	
Taxes Receivable, By Year				
2022	\$ 253,689	\$ 221,978	\$ 475,667	
2021	1,104		1,104	
Taxes Receivable, End of Year	<u>\$ 254,793</u>	<u>\$ 221,978</u>	<u>\$ 476,771</u>	
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations:				
Land	\$ 14,637,090	\$ 11,423,890	\$ 2,748,396	\$ 2,708,300
Improvements	39,983,810	2,424,170		
Personal Property	115,260	22,660		
Exemptions	(1,141,097)	(46,493)		(1,513,400)
Total Property Valuations	<u>\$ 53,595,063</u>	<u>\$ 13,824,227</u>	<u>\$ 2,748,396</u>	<u>\$ 1,194,900</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.48	\$ 0.90	\$ 0.90	\$ 0.885
Debt service tax rates	0.42			
Total Tax Rates per \$100 Valuation	<u>\$ 0.90</u>	<u>\$ 0.90</u>	<u>\$ 0.90</u>	<u>\$ 0.885</u>
Adjusted Tax Levy:	<u>\$ 482,355</u>	<u>\$ 124,418</u>	<u>\$ 24,736</u>	<u>\$ 10,575</u>
Percentage of Taxes Collected to Taxes Levied **	<u>1.39%</u>	<u>99.11%</u>	<u>100.00%</u>	<u>100.00%</u>

*Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 13, 2019

*Maximum Parks and Recreational Maintenance Tax Rate
Approved by Voters: \$0.10 on November 13, 2019

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

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
November 30, 2022

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2023	\$ -	\$ 233,700	\$ 233,700
2024	95,000	206,713	301,713
2025	100,000	200,656	300,656
2026	105,000	194,281	299,281
2027	110,000	187,588	297,588
2028	110,000	180,575	290,575
2029	115,000	173,563	288,563
2030	125,000	166,231	291,231
2031	130,000	158,263	288,263
2032	135,000	150,463	285,463
2033	140,000	142,363	282,363
2034	145,000	135,363	280,363
2035	155,000	128,112	283,112
2036	160,000	120,362	280,362
2037	165,000	112,362	277,362
2038	175,000	104,112	279,112
2039	180,000	95,362	275,362
2040	190,000	86,362	276,362
2041	200,000	76,862	276,862
2042	210,000	66,862	276,862
2043	220,000	57,675	277,675
2044	225,000	48,050	273,050
2045	235,000	39,331	274,331
2046	250,000	30,225	280,225
2047	260,000	20,538	280,538
2048	270,000	10,463	280,463
	<u>\$ 4,205,000</u>	<u>\$ 3,126,437</u>	<u>\$ 7,331,437</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233
TSI-6. Change in Long-Term Bonded Debt
November 30, 2022

	<u>Bond Issue</u>
	<u>2022</u>
Interest rate	3.875% - 6.375%
Dates interest payable	3/1; 9/1
Maturity dates	9/1/24 - 9/1/48
Beginning bonds outstanding	\$ -
Bonds issued	<u>4,205,000</u>
Ending bonds outstanding	<u>\$ 4,205,000</u>
Interest paid during fiscal year	<u>\$ -</u>
Paying agent's name and city	
Series 2022	<u>Zions Bancorporation, N.A., Houston, Texas</u>

	<u>Water, Sewer and</u>	<u>Road Bonds</u>	<u>Park and</u>
	<u>Drainage Bonds</u>		<u>Recreational</u>
Bond Authority:			<u>Facilities Bonds</u>
Amount Authorized by Voters	\$ 240,000,000	\$ 42,000,000	\$ 12,000,000
Amount Issued	(4,205,000)		
Remaining To Be Issued	<u>\$ 235,795,000</u>	<u>\$ 42,000,000</u>	<u>\$ 12,000,000</u>

	<u>Refunding Bonds</u>	<u>Refunding Bonds</u>	<u>Refunding Bonds</u>
	<u>Water, Sewer and</u>	<u>Road Facilities</u>	<u>Park and</u>
	<u>Drainage Facilities</u>		<u>Recreational</u>
Bond Authority:			<u>Facilities</u>
Amount Authorized by Voters	\$ 360,000,000	\$ 63,000,000	\$ 18,000,000
Amount Issued			
Remaining To Be Issued	<u>\$ 360,000,000</u>	<u>\$ 63,000,000</u>	<u>\$ 18,000,000</u>

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

Debt Service Fund cash and investment balances as of November 30, 2022:	<u>\$ 174,688</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 281,978</u>

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Four Fiscal Years

	Amounts			
	2022	2021	2020	2019**
Revenues				
Property taxes	\$ 123,314	\$ 24,736	\$ 10,575	\$ -
Miscellaneous		2		
Investment earnings		22		
Total Revenues	123,314	24,760	10,575	
Expenditures				
Current service operations				
Professional fees	55,997	70,903	36,677	21,208
Contracted services	5,561	9,265	2,096	
Repairs and maintenance	49,299	17,202		
Administrative	9,108	10,201	7,373	4,108
Other	7,740	30		24
Capital outlay			22,474	
Total Expenditures	127,705	107,601	68,620	25,340
Revenues Under Expenditures	\$ (4,391)	\$ (82,841)	\$ (58,045)	\$ (25,340)

*Percentage is negligible

**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues

2022	2021	2020	2019**
100%	100%	100%	
	*		
	*		
100%	100%	100%	-
45%	286%	347%	-
5%	37%	20%	
40%	69%		
7%	41%	70%	-
6%	*		-
		213%	
103%	433%	650%	-
(3%)	(333%)	(550%)	-

Fort Bend County Municipal Utility District No. 233

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Current Fiscal Year

	<u>Amounts</u>	<u>Percent of Fund</u>
	<u>2022</u>	<u>Total Revenues</u>
		<u>2022</u>
Total Revenues	\$ -	-
Expenditures		
Other	586	-
Total Expenditures	586	-
Revenues Under Expenditures	\$ (586)	-

See accompanying auditor's report.

Fort Bend County Municipal Utility District No. 233
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended November 30, 2022

Complete District Mailing Address: 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056
District Business Telephone Number: (713) 850-9000
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 22, 2019
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
James Grissom	05/22 - 05/26	\$ 750	\$ 60	President
Shanda Conroy	05/22 - 05/26	750	30	Vice President
Juan Alexander	05/20 - 05/24	1,050	67	Secretary
Whitney Aelmore	05/20 - 05/24	1,050	59	Assistant Secretary
Kaye Lynn White	05/22 - 05/26	1,050	67	Assistant Secretary
Consultants		Amounts Paid		
Sanford Kuhl Hagan Kugle Parker Kahn LLP <i>General legal fees</i> <i>Bond counsel</i>	2019	\$ 101,563 173,249		Attorney
L & S District Services	2019	2,656		Bookkeeper
Assessments of the Southwest, Inc.	2019	5,391		Tax Collector
Fort Bend Central Appraisal District	Legislation	1,846		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2021	738		Delinquent Tax Attorney
Costello, Inc.	2019	103,951		Engineer
McGrath & Co., PLLC	2020	16,525		Auditor
Robert W. Baird	2019	138,302		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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