OFFICIAL STATEMENT DATED JULY 20, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have NOT been designated as "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book Entry Only

Moody's Investors Service, Inc. (Underlying) .... "A2"
S&P Global Ratings (BAM Insured) .... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATINGS."

$44,260,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

(A Political Subdivision of the State of Texas, located within Harris County)

UNLIMITED TAX BONDS

SERIES 2023

Dated Date: August 1, 2023
Interest accrues from Date of Delivery

Due: March 1, as shown on the inside cover

The $44,260,000 Unlimited Tax Bonds, Series 2023 (the "Bonds"), are obligations of Harris County Municipal Utility District No. 165 (the "District") and are not obligations of the State of Texas, the City of Houston, Texas, Harris County, Texas, or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, the City of Houston, Texas, Harris County, Texas, nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest accrues from the initial date of delivery (expected to be on or about August 17, 2023) (the "Date of Delivery"), and is payable March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS – Book-Entry-Only System."

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM").**

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 against all taxable property within the District.

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about August 17, 2023.

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

$44,260,000 Unlimited Tax Bonds, Series 2023

$32,135,000 Serial Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414962 (b)	Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 414962 (b)
2025	$ 815,000	4.000%	3.300%	M56	2035 (c)	$ 1,315,000	4.000%	3.600%	N71
2026	855,000	4.000%	3.200%	M64	2036 (c)	1,375,000	4.000%	3.700%	N89
2027	900,000	4.000%	3.100%	M72	2037 (c)	1,445,000	4.000%	3.800%	N97
2028	940,000	4.000%	3.100%	M80	***	***	***	***	***
2029	990,000	4.000%	3.100%	M98	2042 (c)	2,440,000	4.000%	4.126%	P61
2030 (c)	1,035,000	4.000%	3.150%	N22	2043 (c)	4,500,000	4.000%	4.150%	P79
2031 (c)	1,085,000	4.000%	3.200%	N30	2044 (c)	4,925,000	4.000%	4.200%	P87
2032 (c)	1,140,000	4.000%	3.300%	N48	2045 (c)	5,925,000	4.000%	4.250%	P95
2033 (c)	1,195,000	4.000%	3.400%	N55	***	***	***	***	***
2034 (c)	1,255,000	4.000%	3.500%	N63					

$12,125,000 Term Bonds

$1,995,000 Term Bond Due March 1, 2039 (c)(d), Interest Rate: 4.000% (Price: $100.000) (a), CUSIP No. 414962 P38 (b)

$4,600,000 Term Bond Due March 1, 2041 (c)(d), Interest Rate: 4.000% (Price: $98.750) (a), CUSIP No. 414962 P53 (b)

$5,530,000 Term Bond Due March 1, 2047 (c)(d), Interest Rate: 4.250% (Price: $98.750) (a), CUSIP No. 414962 Q37 (b)

(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 optional redemption date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.

(c) The Bonds maturing on and after March 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 August 1, 2029, or any date thereafter, at a price equal to the principal thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

(d) Subject to mandatory redemption by lot or other customary method of random selection on March 1 in the years and in the amounts set forth under "THE BONDS – Redemption of the Bonds – *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.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel, for further information.

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

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

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

References to web site addresses presented herein are for information purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified other, sub web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" at a price of 97.706083% of the par value thereof, which resulted in a net effective interest rate of 4.186581%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

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 offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT 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 Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts 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.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $476.6 million, $196.7 million, and $279.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policy by BAM 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.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying credit rating of "A2" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the underlying credit rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District	Harris County Municipal Utility District No. 165 (the "District"), a political subdivision of the State of Texas, is located in Harris County, Texas. See "THE DISTRICT."
The Bonds	The District's $44,260,000 Unlimited Tax Bonds, Series 2023 (the "Bonds"), are dated August 1, 2023. Interest accrues from the initial date of delivery (expected to be on or about August 17, 2023) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable March 1, 2024, and each September 1 and March 1 and thereafter until the earlier of stated maturity or redemption. The Bonds mature on March 1 in the each of the years and principal amounts as set forth on the inside cover page hereof. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on or after March 1, 2030, are subject to redemption, at the option of the District, in whole or from time to time in part, on August 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 of the Bonds – *Optional Redemption*." The Bonds mature serially on March 1 in each of the years 2025 through 2037, both inclusive, and 2042 through 2045, also both inclusive. The Bonds maturing on March 1 in the years 2039, 2041 and 2047 are term bonds that are also subject to mandatory redemption provisions set out under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."
Source of Payment	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Houston, Texas, Harris County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS – Source of Payment."
Authority for Issuance	The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District on the date of sale of the Bonds (the "Bond Resolution"); Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; various elections held within the District; and an order of the Texas Commission on Environmental Quality ("TCEQ"). See "THE BONDS – Authority for Issuance."
Outstanding Bonds	The District has previously issued twenty (20) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater and storm drainage system serving the District (the "System") and six (6) series of unlimited tax refunding bonds. Of such bonds previously issued by the District,

$198,310,000 principal amount remains outstanding as of June 1, 2023 (the "Outstanding Bonds").

In addition, the District has previously issued two series of bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 1 (defined below): $8,130,000 Unlimited Tax Road Bonds, Series 2022 and $6,250,000 Unlimited Tax Road Bonds, Series 2022A. The District has previously issued three series of bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2 (defined below): $4,910,000 Unlimited Tax Road Bonds, Series 2022; $4,200,000 Unlimited Tax Road Bonds, Series 2022A; and $7,090,000 Unlimited Tax Road Bonds, Series 2023. All principal amount of such bond issues will remain outstanding as of the date of delivery of the Bonds.

Short-Term Debt.. The District issued its $27,508,000 Bond Anticipation Note, Series 2022 (the "BAN"), dated December 8, 2022. The BAN accrues interest at a rate of 4.80% per annum (computed on the basis of a 365-day year and actual number of days elapsed) and matures on December 7, 2023. The District intends to apply a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity.

Use of Proceeds of Bonds.................................. Proceeds from the sale of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse Astro Marvida (herein defined) for a portion of the costs associated with construction of certain of the facilities shown herein under "THE BONDS – Use and Distribution of Bond Proceeds" and to pay for costs related to future construction of facilities for expansion of the District's water and wastewater system as shown herein under "THE BONDS – Use and Distribution of Bond Proceeds." Proceeds from the sale of the Bonds will also be used to pay developer interest, interest on the BAN, and costs of issuance associated with the Bonds and the BAN. See "THE BONDS – Use and Distribution of Bond Proceeds" for further information.

Prior Default.. In September 1992, the District defaulted on the payment of principal of and interest on its $1,400,000 Unlimited Tax Bonds, Series 1982, $1,700,000 Unlimited Tax Bonds, Series 1983, and $2,150,000 Unlimited Tax Bonds, Series 1984 (collectively, the "Defaulted Bonds"), filed bankruptcy and adjusted its debt by issuing amended bonds in exchange for the Defaulted Bonds. Such amended bonds were subsequently defeased by the issuance of the $4,185,000 Unlimited Tax Refunding Bonds, Series 2000. See "THE BONDS – District's Prior Bankruptcy."

District's Prior Bankruptcy .... In 1992, the District filed an application with the Texas Water Commission, predecessor to the TCEQ, requesting authorization to file a petition in bankruptcy under Chapter 9 of the United States Bankruptcy Code. By Order issued on December 21, 1992, the Texas Water Commission approved the District's application and the District filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas, Case No. 93-43120-H4-9 for relief under Chapter 9 of the Bankruptcy Code. Pursuant to the District's approved Bankruptcy Plan, the District has satisfied all classes of claims, including the claims of the holders of the Defaulted

Bonds. The defeasance of the District's Defaulted Bonds in 2000 satisfied the only remaining outstanding claims against the District. From that point forward, the District no longer operates subject to the Bankruptcy Plan. See "THE BONDS – District's Prior Bankruptcy."

Not Qualified Tax-Exempt Obligations	The Bonds have NOT been designated as "Qualified Tax-Exempt Obligations" for financial institutions.
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (BAM Insured): "AA." Moody's Investors Service, Inc. (Underlying): "A2." See "RATINGS."
Legal Opinion	Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS."
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar	Zions Bancorporation, National Association, Houston, Texas.

THE DISTRICT

Description	The District was created by the Texas Water Commission, predecessor of the TCEQ, in 1978, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contained approximately 441 acres at time of creation. Due to several subsequent annexations, the District now contains approximately 4,280 acres. The District is located entirely within Harris County, Texas, approximately 25 miles northwest of the central business district of the City of Houston, Texas, approximately 4 miles west of the intersection of Farm-to-Market Road 529 and State Highway 6. The District is accessible via Texas State Highway 6 to Farm-to-Market Road 529 and is located entirely within Cypress-Fairbanks Independent School District.
Defined Area No. 1	On January 3, 2019, the District created "Defined Area No. 1" over approximately 833.04 acres of land within the District pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system, a road system and recreational improvements to serve Defined Area No. 1. On May 4, 2019, voters within Defined Area No. 1 authorized $281,255,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 1, and for the refunding of such bonds; $149,440,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 1, and for the refunding of such bonds; and $43,995,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 1, and for the refunding of such bonds. At such election held on May 4, 2019, voters within Defined Area No. 1 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 1 facilities.

To date, the District has issued two series of road bonds from the voted authorization related to Defined Area No. 1 as referenced above. Bonds issued for Defined Area No. 1 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 1 and not on any other part of the District.

Defined Area No. 2 .... On August 6, 2020, the District approved the annexation of approximately 854.61 acres into its boundaries and designated approximately 858.64 acres (being the 854.61-acre tract annexed into the District plus 4.03 acres within the District's boundaries prior to August 6, 2020) as "Defined Area No. 2." On November 3, 2020, voters within Defined Area No. 2 approved the designation of Defined Area No. 2 pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code and authorized the District's issuance of the following bonds: $277,673,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $49,297,112 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $155,836,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $27,727,294 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $36,431,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2; and $10,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2. At such election held on November 3, 2020, voters within Defined Area No. 2 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 2 facilities.

To date, the District has issued three series of road bonds from the voted authorization related to Defined Area No. 2 as referenced above. Bonds issued for Defined Area No. 2 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 2 and not on any other part of the District.

Development within the District .... Approximately 2,648 acres (10,701 lots) within the District have been developed into the single-family subdivisions of Tealbrook, Sections 1–3; Towne Lake Greene, Sections 1–4; Lancaster, Sections 1 and 2; Amhurst, Section 2; Yaupon Ranch, Sections 1–7; Yaupon Place, Sections 1 and 2; Remington Grove, Sections 1–3; Cypress Springs, Sections 1–6; Cypress Springs South, Sections 1 and 2; Canyon Lakes West, Sections 1–5 and 7–12; Pine Creek at Canyon Lakes West, Sections 2–14; Gates at Canyon Lakes West, Section 1; College Park West, Sections 1–5; Villas at Canyon Lakes West; Mirabella, Sections 1–11; Miramesa, Sections 1–10; Mountain Springs; Bridge Creek, Sections 1–9; Marvida, Sections 1–15 and Section 17–21 and 23; and Avalon at Cypress, Section 1, 3–7. As of April 17, 2023, the single-family residential development in the

District included approximately 8,872 completed homes, approximately 365 homes under construction and approximately 1,237 vacant developed lots.

To date, approximately 247 acres in the District have been developed as commercial reserves that include several restaurants, a Star Cinema, three (3) gas stations, a CVS Pharmacy, a Wells Fargo Bank, a retail shopping strip, a National Tire & Battery, an O'Reilly's Auto Parts, a dry cleaner, a church, Jones Automotive, Discovery Years Early Learning Center and a self-storage center.

The remaining land within the District consists of approximately 913 undeveloped but developable acres and approximately 472 undevelopable acres made up of easements, rights-of-way and greenbelts. See "PRINCIPAL LANDOWNERS/DEVELOPERS," "DEVELOPMENT OF THE DISTRICT" and "THE DISTRICT."

Developers.. Astro Marvida, L.P. ("Astro Marvida") and Taylor Morrison of Texas, Inc. are the principal developers of land within the District. In addition, there are several tracts of land within the District which are owned or have also been developed by other developers for their own use. All of such entities are collectively referred to herein as the "Developers." See "PRINCIPAL LANDOWNERS/DEVELOPERS" and "DEVELOPMENT OF THE DISTRICT."

Homebuilders .... Homebuilders active within the District include: Anglia Homes, Ashton Woods, Beazer Homes, Century Communities, Chesmar Homes, Colina Homes, David Weekley Homes, DR Horton, Brightland Homes, Hamilton Thomas Homes, K. Hovnanian Homes, Lennar Homes, Long Lake, Meritage Homes, Perry Homes, Taylor Morrison Homes, and Westin Homes. Prices of new homes being constructed within the District range from approximately $250,000 to $635,000. See "PRINCIPAL LANDOWNERS/DEVELOPERS – Homebuilders within the District."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2022 Taxable Assessed Value	$ 2,394,932,802	(a)
2023 Preliminary Assessed Valuation	$ 3,138,176,834	(b)
Estimate of Value as of April 1, 2023	$ 3,232,601,461	(c)
Direct Debt:		
The Outstanding Bonds	$ 198,310,000	
The Bonds	$ 44,260,000	
Total	$ 242,570,000	
Estimated Overlapping Debt	$ 183,492,690	(d)
Total Direct and Estimated Overlapping Debt	$ 426,062,690	
Direct Debt Ratios:		
As a percentage of 2022 Taxable Assessed Value	10.13 %	
As a percentage of 2023 Preliminary Assessed Valuation	7.73 %	
As a percentage of Estimate of Value as of April 1, 2023	7.50 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2022 Taxable Assessed Value	17.79 %	
As a percentage of 2023 Preliminary Assessed Valuation	13.58 %	
As a percentage of Estimate of Value as of April 1, 2023	13.18 %	
Debt Service Fund Balance (as of June 1, 2023)	$ 18,329,707	(e)
General Fund Balance (as of June 1, 2023)	$ 26,984,297	
Capital Projects Fund Balance (as of June 1, 2023)	$ 14,679,881	

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Harris Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Harris Central 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 Harris Central Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."

(c) Provided by the Harris Central Appraisal District for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of April 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through April 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(e) Reflects funds available for payment of debt service on the Outstanding Bonds and the Bonds as of June 1, 2023. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Tax Rate per $100 of Assessed Taxable Valuation			
Debt Service		$ 0.68	(a)
Maintenance		$ 0.25	
Total District Tax Rate (Not within Defined Area Nos. 1 and 2)		$ 0.93	
Defined Area No. 1 Tax Rate		$ 0.57	(b)
Total Defined Area No. 1 Tax Rate		$ 1.50	
Defined Area No. 2 Tax Rate		$ 0.57	(c)
Total Defined Area No. 2 Tax Rate		$ 1.50	
Average Annual Debt Service Requirement (2023–2047)	$	13,612,087	(d)
Maximum Annual Debt Service Requirement (2034)	$	17,404,325	(d)
Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement (2023–2047) at 95% Tax Collections:			
Based Upon the 2022 Taxable Assessed Value		$ 0.60	
Based Upon the 2023 Preliminary Assessed Valuation		$ 0.46	
Based Upon the Estimate of Valuation as of April 1, 2023		$ 0.45	
Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement (2034) at 95% Tax Collections:			
Based Upon the 2022 Taxable Assessed Value		$ 0.77	
Based Upon the 2023 Preliminary Assessed Valuation		$ 0.59	
Based Upon the Estimate of Valuation as of April 1, 2023		$ 0.57	
Single-Family Homes (including 365 under construction) as of April 17, 2023		9,237	

(a) Represents the tax levied by the District upon taxable property located within the entire District, including Defined Area No. 1 and Defined Area No. 2, the proceeds of which are available for payment of debt service on the Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within Defined Area No. 1 or Defined Area No. 2. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 1 or Defined Area No. 2 may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA – Estimated Overlapping Taxes."

(b) For the 2022 tax year, the District levied a tax of $0.57 upon taxable property located only within Defined Area No. 1. Such tax rate is composed entirely of a tax for payment of debt service on bonds secured by the proceeds of taxes levied upon taxable property located only within Defined Area No. 1. Proceeds from the District's levy of this tax may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA."

(c) For the 2022 tax year, the District levied a tax of $0.57 upon taxable property located only within Defined Area No. 2. Such tax rate is composed entirely of a tax for payment of debt service on bonds secured by the proceeds of taxes levied upon taxable property located only within Defined Area No. 2. See "TAX DATA."

(d) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

$44,260,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 165

(A Political Subdivision of the State of Texas, located within Harris County)

UNLIMITED TAX BONDS, SERIES 2023

INTRODUCTION

This Official Statement of Harris County Municipal Utility District No. 165 (the "District") is provided to furnish information with respect to the issuance by the District of its $44,260,000 Unlimited Tax Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) various elections held within the District, (iii) a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds, and (iv) an order of the Texas Commission on Environmental Quality (the "TCEQ").

There follow in this Official Statement descriptions of the Bonds, the Developers (herein defined), the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution.

The Bonds are dated August 1, 2023, and accrue interest from the initial date of delivery (expected to be on or about August 17, 2023) (the "Date of Delivery"), with interest payable March 1, 2024, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds mature on March 1 in the years and in the amounts shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("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, 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Tender/Remarketing Agent's DTC account.

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

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

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 corporate trust 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 Bondholder. 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.

Redemption of the Bonds

Optional Redemption

Bonds maturing on March 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 August 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on March 1 in the years 2039, 2041 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:

$1,995,000 Term Bonds Maturing on March 1, 2039

Mandatory Redemption Date	Principal Amount
March 1, 2038	$ 1,515,000
March 1, 2039 (Maturity)	$ 480,000

$4,600,000 Term Bonds Maturing on March 1, 2041

Mandatory Redemption Date	Principal Amount
March 1, 2040	$ 2,260,000
March 1, 2041 (Maturity)	$ 2,340,000

$5,530,000 Term Bonds Maturing on March 1, 2047

Mandatory Redemption Date	Principal Amount
March 1, 2046	$ 2,700,000
March 1, 2047 (Maturity)	$ 2,830,000

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) various elections held within the District, (iii) the Bond Resolution, and (iv) an order of the TCEQ.

The Bonds are the twenty-first series of bonds to be issued by the District out of an aggregate $665,684,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater and storm drainage system serving the District (the "System"). Following the issuance of the Bonds, $352,164,000 principal amount of such voted authorization will remain authorized but unissued. See "THE BONDS – Issuance of Additional Debt" for further information related to the District's authorized but unissued bonds.

Outstanding Bonds

The District has previously issued twenty (20) series of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining the System and six (6) series of unlimited tax refunding bonds. Of such bonds previously issued by the District, $198,310,000 principal amount remains outstanding as of June 1, 2023 (the "Outstanding Bonds").

In addition, the District has previously issued two series of bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 1 (defined below): $8,130,000 Unlimited Tax Road Bonds, Series 2022 and $6,250,000 Unlimited Tax Road Bonds, Series 2022A. The District has previously issued three series of bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2 (defined below): $4,910,000 Unlimited Tax Road Bonds, Series 2022; $4,200,000 Unlimited Tax Road Bonds, Series 2022A; and $7,090,000 Unlimited Tax Road Bonds, Series 2023. All principal amount of such bond issues will remain outstanding as of the date of delivery of the Bonds.

Source of Payment

The Outstanding Bonds and the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Outstanding Bonds and the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

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

Issuance of Additional Debt

District Bonds

The District may issue additional bonds with the approval of the TCEQ as necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of an aggregate of $665,684,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining the System and could authorize additional amounts. Voters of the District have also authorized the District's issuance of $8,000,000 principal amount of unlimited tax refunding bonds and $16,000,000 principal amount of unlimited tax park and recreational bonds.

Following the issuance of the Bonds, $352,164,000 of unlimited tax bonds for the System, $4,777,733.52 unlimited tax refunding bonds, and $16,000,000 unlimited tax recreational bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ).

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 7, 2006, the District's voters authorized $16,000,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Currently, the District is developing parks using surplus operating funds.

Defined Area No. 1 Bonds

On January 3, 2019, the Board designated approximately 833.04 acres within the District as "Defined Area No. 1." Defined Area No. 1 was created pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system, a road system and recreational improvements to serve Defined Area No. 1, for which Defined Area No. 1 intends to sell ad valorem unlimited tax bonds. At an election held on May 4, 2019, voters in Defined Area No. 1 confirmed the creation of Defined Area No. 1 and authorized $149,440,000 principal amount of unlimited tax and refunding bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 1; $281,255,000 principal amount of unlimited tax and refunding bonds for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system to serve Defined Area No. 1; and $43,995,000 principal amount of unlimited tax and refunding bonds for recreational improvements to serve Defined Area No. 1. On such election held on May 4, 2019, voters within Defined Area No. 1 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 1 facilities.

To date, the District has issued two series of road bonds from such voted authorization for Defined Area No. 1 in the principal amount of $14,380,000 for financing the acquisition and construction of certain road facilities serving Defined Area No. 1. The following principal amounts of bonds related to Defined Area No. 1 remain authorized but unissued: $135,060,000 principal amount of unlimited tax and refunding bonds for the road improvements to serve Defined Area No. 1; $281,255,000 principal amount of unlimited tax and refunding bonds for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system to serve Defined Area No. 1; and $43,995,000 principal amount of unlimited tax and refunding bonds for recreational improvements to serve Defined Area No. 1. See "INVESTMENT CONSIDERATIONS – Future Debt."

Bonds issued for Defined Area No. 1 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 1 and not on any other part of the District. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 1 may not be used for payment of debt service on the Bonds or the Outstanding Bonds.

Defined Area No. 2 Bonds

On August 6, 2020, the District approved the annexation of approximately 854.61 acres into its boundaries and designated approximately 858.64 acres (being the 854.61-acre tract annexed into the District plus 4.03 acres within the District's boundaries prior to August 6, 2020) as "Defined Area No. 2." On November 3, 2020, voters within Defined Area No. 2 approved the designation of Defined Area No. 2 pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code and authorized the District's issuance of the following bonds: $155,836,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $27,727,294 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $277,673,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $49,297,112 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $36,431,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2; and $10,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2. At such election held on November 3, 2020, voters within Defined Area No. 2 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 2 facilities.

To date, the District has issued three series of road bonds from such voted authorization for Defined Area No. 2 in the principal amount of $16,200,000 for financing the acquisition and construction of certain road facilities serving Defined Area No. 2. The following principal amounts of bonds related to Defined Area No. 2 remain authorized but unissued: $139,636,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $27,727,294 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $277,673,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $49,297,112 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $36,431,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2; and $10,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2. See "INVESTMENT CONSIDERATIONS – Future Debt."

Bonds issued for Defined Area No. 2 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 2 and not on any other part of the District. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 2 may not be used for payment of debt service on the Bonds or the Outstanding Bonds.

District's Prior Bankruptcy

In 1992, faced with steadily decreasing property values in the District and a regional adverse demand for new and used suburban residences, the District filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas, Case No. 93-43120-H4-9 for relief under Chapter 9 of the Bankruptcy Code. The District filed a plan of adjustment (the "Bankruptcy Plan") of its debt with the Bankruptcy Court, which Bankruptcy Plan provided, among other things, that as of the effective date of the Bankruptcy Plan, the District's remaining outstanding Series 1982, Series 1983, and Series 1984 Bonds would be exchanged and modified with the District's amended bonds as set forth in the Bankruptcy Plan. In 2000, the District issued its $4,185,000 Unlimited Tax Refunding Bonds, Series 2000 (the "Series 2000 Refunding Bonds") and defeased the Defaulted Bonds. The defeasance of the District's Defaulted Bonds satisfied the only remaining outstanding claims against the District's Bankruptcy Plan. From that point forward, the District no longer operates subject to the Bankruptcy Plan.

No Arbitrage

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

Annexation by the City

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

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

Strategic Partnership Agreement

In December, 2008, the District entered into a Strategic Partnership Agreement (the "SPA") with the City as authorized by Texas Local Government Code, Chapter 43. The SPA provides for a "limited purpose annexation" of certain commercial areas of the District for purpose of applying certain City health, safety, planning and zoning ordinances within the District. The SPA also provided that the City will not annex the District for "full purposes" (a traditional municipal annexation) during the term of the SPA, which is 30 years.

As a result of the SPA, the City is authorized to impose the one percent (1%) retail sales tax (the "City Sales Tax") within certain commercial areas of the District. Pursuant to the SPA, the City agreed to pay to the District an amount equal to one-half of the City Sales Tax revenues generated within certain commercial areas of the District and received by the City from the Comptroller (herein defined as the Contract Sales Tax Revenue). Pursuant to State law, the District is authorized to use the Contract Sales Tax Revenue generated pursuant to the SPA for any lawfully authorized purpose.

The City receives sales tax funds from the Comptroller and remits the Contract Sales Tax Revenue to the District on a monthly basis. The City began assessing the City Sales Tax in the District on April 1, 2009, and the District received approximately $146,118 from the City during its 2022 fiscal year.

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Short-Term Debt

The District issued its $27,508,000 Bond Anticipation Note, Series 2022 (the "BAN"), dated December 8, 2022. The BAN accrues interest at a rate of 4.80% per annum (computed on the basis of a 365-day year and actual number of days elapsed) and matures on December 7, 2023. The District intends to apply a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to maturity.

Use and Distribution of Bond Proceeds

Proceeds of the Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse Astro Marvida for a portion of the costs of certain of the projects set out below and to pay for costs related to future construction of facilities for expansion of the District's System. In addition, proceeds of the Bonds will be used to reimburse Astro Marvida for the portion of project costs that was not reimbursed by the BAN. Proceeds of the Bonds will also be used to pay for non-construction costs as set out below. Totals may not sum due to rounding.

Construction Costs	District's Share
Developer Contribution Items	
1. Bridge Creek Section 5 – W, WW & D	$ 851,817
2. Bridge Creek Section 6 – W, WW & D	359,790
3. Bridge Creek Section 7 – W, WW & D	481,724
4. Bridge Creek Section 8 – W, WW & D	325,750
5. Bridge Creek Section 9 – W, WW & D	471,940
6. West Road (Grand Parkway to Mason) – D	1,121,227
7. West Road (Mason to Avalon River Road) – D	255,175
8. Avalon at Cypress Section 1 – W, WW & D	1,936,075
9. Avalon at Cypress Section 2 – W, WW & D	543,970
10. Avalon at Cypress Section 3 – W, WW & D	557,673
11. Avalon at Cypress Section 4 – W, WW & D	714,279
12. Avalon at Cypress Section 5 – W, WW & D	199,050
13. Avalon at Cypress Section 6 – W, WW & D	248,100
14. Mason Road at Avalon Phase 1	93,750
15. Mason Road at Avalon Phase 2	195,758
16. Avalon River Road Section 1 – W, WW & D	955,921
17. West Road Extension & Reserve – W, WW & D	284,575
18. Westgreen Boulevard Section 7 – W, WW & D	389,859
19. Marvida Terrace Drive Section 1 – W, WW & D	1,449,949
20. Marvida Terrace Drive Section 2 – D	1,260,710
21. Marvida Longenbaugh Road – W & D	827,911
22. Marvida Section 8 – W, WW & D	1,458,069
23. Marvida Section 17 – W, WW & D	1,192,997
24. Marvida Section 18 – W, WW & D	1,067,835
25. Marvida Section 19 – W, WW & D	759,371
26. Marvida Section 22 – W, WW & D	1,117,507
27. Yaupon Ranch Section 6 Clearing & Grubbing	19,853
28. Engineering and Materials Testing for Items No. A1-A27	3,587,098
29. Storm Water Pollution Prevention Planning (SWPPP)	603,890
30. Engineering for Marvida Terrace Drive Section 3	124,004
Total Developer Contribution Items	$ 23,455,627
B. District Items	
1. Remaining Costs for Water Plant No. 6	$ 460,910
2. Marvida Lift Station No. 1	765,222
3. Marvida Terrace Drive Section 1 Force Main	488,500
4. Avalon Ultimate Drainage Channel	1,436,385
5. Marvida Phase 2 North Detention	2,065,329
6. Marvida Phase 2 South Detention	4,073,761
7. West Road Conspan & MSE Retaining Walls	307,931
8. Engineering & Materials Testing for Items No. B1-B6	1,059,239
9. SWPPP for Items No. B2-B6	37,767
10. Land Acquisition Costs	
a. Marvida Ph. 2 North Detention (Reserve A, 7.29 acres)	451,065
b. Marvida Ph. 2 North Detention (Reserve B, 8.92 acres)	531,885

c. Marvida Ph. 2 South Detention (Sec. 13, Res. B, 19.58 acres)	1,211,503
d. Marvida Ph. 2 South Detention (Sec. 14, Res. B, 3.02 acres)	186,861
e. Marvida Ph. 2 South Detention (Sec. 18, Res. B, 12.92 acres)	799,419
Total District Contribution Items	$ 13,875,777
Total Construction Costs	$ 37,331,404
Non-Construction Costs	
A. Legal Fees	$ 636,300
B. Fiscal Agent Fees	726,400
C. Interest	
1. Developer Interest	2,265,766
2. BAN Interest	911,608
D. Bond Discount	1,015,288
E. Bond Issuance Expenses	58,875
F. BAN Issuance Costs	575,800
G. Bond Application Report Cost	104,260
H. Attorney General Fee (0.10% or a maximum of $9,500)	9,500
I. TCEQ Bond Issuance Fee (0.25%)	110,650
J. Contingency (a)	514,150
Total Non-Construction Costs	$ 6,928,596
TOTAL BOND ISSUE REQUIREMENT	**$44,260,000**

(a) Represents the difference between the estimated and actual amounts of BAN interest and Bond Discount.

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THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Water Commission, now the TCEQ, dated July 6, 1978. The creation of the District was confirmed at an election held within the District on August 12, 1978. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, 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. By order of the TCEQ dated September 7, 2018, the District is empowered to design, acquire, construct, finance, issue bonds for, operate, maintain roads or any improvement in aid of thereof.

The District also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes with TCEQ approval. In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Additionally, 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 within Defined Area No. 1 and Defined Area No. 2. The District is also empowered to purchase and construct road improvements and construct, develop and maintain park and recreational facilities to serve Defined Area No. 1 and Defined Area No. 2.

Description

At creation, the District encompassed approximately 441 acres of land. Due to several subsequent annexations, the District contains approximately 4,280.16 acres. The District is located entirely within the extraterritorial jurisdiction of the City and entirely within Harris County, Texas, approximately 25 miles northwest of the central business district of the City, approximately 4 miles west of the intersection of Farm-to-Market Road 529 and Texas State Highway 6. The District is accessible via Texas State Highway 6 to Farm-to-Market Road 529 and is located entirely within Cypress-Fairbanks Independent School District.

Management of the District

The District is governed by the Board of Directors (the "Board"), consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property or reside in the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Alan Bentson	President	2024
David Molina	Vice President	2026
Scott Barr	Assistant Vice President	2026
Wayne Green	Secretary	2026
Scott Nilsson	Assistant Secretary	2024

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The District's Tax Assessor/Collector is Bob Leared Interests. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Bookkeeper*:* The District's bookkeeper is Myrtle Cruz, Inc.

Utility System Operator*:* The District's operator is H2O Consulting Inc.

Auditor*:* The financial statements of the District as of September 30, 2022, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2022, audited financial statements.

Engineer*:* The District's engineer is DAC Services, Inc., dba DAC Engineering (the "Engineer").

Attorney*:* The District has engaged Allen Boone Humphries Robinson 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. See "LEGAL MATTERS."

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor*:* Robert W. Baird & Co. Incorporated is engaged as financial advisor ("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 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.

DEVELOPMENT OF THE DISTRICT

Approximately 2,648 acres (10,701 lots) within the District have been developed into the single-family subdivisions of Tealbrook, Sections 1–3; Towne Lake Greene, Sections 1–4; Lancaster, Sections 1 and 2; Amhurst, Section 2; Yaupon Ranch, Sections 1–7; Yaupon Place, Sections 1 and 2; Remington Grove, Sections 1–3; Cypress Springs, Sections 1–6; Cypress Springs South, Sections 1 and 2; Canyon Lakes West, Sections 1–5 and 7–12; Pine Creek at Canyon Lakes West, Sections 2–14; Gates at Canyon Lakes West, Section 1; College Park West, Sections 1–5; Villas at Canyon Lakes West; Mirabella, Sections 1–11; Miramesa, Sections 1–10; Mountain Springs; Bridge Creek, Sections 1–9; Marvida, Sections 1–15 and Section 17–21 and 23; and Avalon at Cypress, Section 1, 3–7. As of April 17, 2023, the single-family residential development in the District included approximately 8,872 completed homes, approximately 365 homes under construction and approximately 1,237 vacant developed lots.

To date, approximately 247 acres in the District have been developed as commercial reserves that include several restaurants, a Star Cinema, three (3) gas stations, a CVS Pharmacy, a Wells Fargo Bank, a retail shopping strip, a National Tire & Battery, an O'Reilly's Auto Parts, a dry cleaner, a church, Jones Automotive, Discovery Years Early Learning Center and a self-storage center.

The remaining land within the District consists of approximately 913 undeveloped but developable acres and approximately 472 undevelopable acres made up of easements, rights-of-way and greenbelts.

PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developers

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 of the cost of constructing certain of the water, wastewater and drainage facilities in a 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 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. The entities described below are defined collectively as the "Developers."

Defined Area No. 1

<u>TAYLOR MORRISON</u>

Taylor Morrison of Texas, Inc., a subsidiary of Taylor Morrison Home Corporation ("Taylor Morrison"), purchased approximately 212.19 acres within the District in February of 2019, which Taylor Morrison, operating under the name of WLH Communities – Texas LLC (a subsidiary of Taylor Morrison), is developing as Bridge Creek in Defined Area No. 1. Land Tejas Companies Ltd. ("Land Tejas") has been engaged as fee developer for Bridge Creek. In addition, Taylor Morrison purchased approximately 280 acres within the District in July 2020. Taylor Morrison is developing such acreage as approximately 676 lots in subdivisions known as Avalon at Cypress and Bridge Creek. Bridge Creek, Section 1 (approximately 86 single-family lots), Bridge Creek, Section 2 (approximately 51 single-family lots), Bridge Creek, Section 3 (approximately 34 single-family lots), Bridge Creek, Section 4 (approximately 46 single-family lots). Bridge Creek, Section 5 (approximately 50 single-family lots), Bridge Creek, Section 6 (approximately 32 single-family lots), Bridge Creek, Section 7 (approximately 37 single-family lots), Bridge Creek, Section 8 (approximately 39 single-family lots) and Bridge Creek, Section 9 (approximately 55 single-family lots) have been completed. Avalon at Cypress, Section 1 (approximately 109 single-family lots), Avalon at Cypress, Section 3 (approximately 30 single-family lots), Avalon at Cypress, Section 4 (approximately 31 single-family lots), Avalon at Cypress, Section 5 (approximately 23 single-family lots), Avalon at Cypress, Section 6 (approximately 28 single-family lots), and Avalon at Cypress, Section 7 (approximately 25 single-family lots) have been completed. In November of 2021, Taylor Morrison purchased approximately 262 additional acres to be developed as an extension of Avalon at Cypress. All such acreage is located within Defined Area No. 1 in the District.

Taylor Morrison is a publicly traded corporation whose stock is listed on the New York Stock Exchange as TMHC. Audited financial statements for Taylor Morrison can be found online at https://investors.taylormorrison.com. Taylor Morrison 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 Taylor Morrison 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 Taylor Morrison is included as part of the consolidated financial statements of discussed above. However, Taylor Morrison is not legally obligated to provide funds for the development of the District, provide funds to pay taxes on property in the District owned by any other developers, or to pay any other obligations of other developers. Further, Taylor Morrison is not responsible for, 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. Taylor Morrison has no legal commitment to the District or owners of the Bonds to continue development of the land within the District and the may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of Taylor Morrison is subject to change at any time. Because of the foregoing, financial information concerning the Taylor Morrison will neither be updated nor provided following issuance of the Bonds.

<u>CILB 2018, LP</u>

CILB 2018, LP ("CILB") owns approximately 52.23 acres located within the District and Defined Area No. 1. The property is currently undeveloped, but it is anticipated to be developed for commercial use. CILB has no plans to develop such property.

Defined Area No. 2

<u>ASTRO MARVIDA, L.P.</u>

Astro Marvida, L.P., a Delaware limited partnership ("Astro Marvida"), is the primary developer within the District in Defined Area No. 2. In December of 2021, Astro Marvida acquired all property owned by Cypress 856, LTD, a Texas limited liability partnership ("Cypress 856"), within Defined Area No. 2.

In September of 2019, Cypress 856 acquired approximately 856 acres within the District, approximately 854.61 acres of which are in Defined Area No. 2. Subsequently, Cypress 856 developed portions of the approximate 854.61 acres in Defined Area No. 2 as certain subdivisions of Marvida and sold several parcels within the 854.61-acre tract to other entities for development of additional Marvida sections, including the following: "Pod D," approximately 58.88 acres, was sold to M/I Homes (defined below); "Pod G," approximately 48.02 acres, was sold to M/I Homes; "Pod I," approximately 19.79 acres, was sold to KB Home Lone Star (defined below); "Pod J," approximately 25.10 acres, was sold to Pulte Homes of Texas, L.P.; "Pod M," approximately 26.13 acres, was sold to KB Home Lone Star; "Pod K," approximately 28.35 acres, was sold to K. Hovnanian Houston Marvida LLC; "Pod L," approximately 29.73 acres, was sold to Chesmar Homes LLC; "Pod O-1," approximately 12.56 acres, was sold to KB Home Lone Star; "Pod O-3," approximately 12.69 acres, was sold to Gehan Homes, LTD; "Pod A," approximately 70.00 acres, was sold to Marvida Pod A, LLC; and "Pod P," approximately 31.41 acres, was sold to Clay Residential Marvida–LP. In addition, in September of 2020, Cypress 856 sold approximately 50 acres to Cypress-Fairbanks Independent School District for a future school site.

In December 2021, Astro Marvida acquired the developed lots and remaining undeveloped lands owned by Cypress 856. Astro Marvida also acquired the approximately 70.00 acres sold to Marvida Pod A, LLC.

<u>M/I HOMES</u>

M/I Homes of Houston, LLC, ("M/I Homes") a Texas corporation and a subsidiary of M/I Homes, Inc., the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "MHO", purchased approximately 107 acres within the District from Cypress 856. M/I Homes plans to develop such acres as approximately 522 lots within the master-planned community of Marvida. M/I Homes will be the developer and homebuilder of such lots. For more information, visit www.mihomes.com.

KB HOME

KB Home Lone Star Inc. ("KB Home Lone Star"), a Texas corporation and an indirect wholly owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH," has purchased approximately 58.48 acres within the District from Cypress 568. KB Home Lone Star plans to develop such acres as approximately 378 lots within the master-planned community of Marvida. KB Home will be the developer and homebuilder of such lots. For more information, visit www.kbhome.com.

PULTE HOMES

Pulte Homes of Texas, L.P., a Texas limited partnership, purchased approximately 34.18 acres in Defined Area No. 2, which has been developed into 113 single-family lots in Marvida. Pulte Homes of Texas, L.P. is affiliated with PulteGroup, Inc., which is publicly traded on the New York Stock Exchange under the ticker symbol "PHM." For more information, visit www.pultegroupinc.com.

K. HOVNANIAN

K. Hovnanian Houston Marvida LLC, Texas limited liability company, purchased approximately 31.39 acres in Defined Area No. 2, which has been developed into 135 single-family lots in Marvida.

CHESMAR HOMES

Chesmar Homes, LLC, a Texas limited liability company, purchased approximately 29.73 acres in Defined Area No. 2, which has been developed into approximately 176 single-family lots in Marvida.

BRIGHTLAND HOMES, LTD

Brightland Homes, LTD, a Texas limited partnership, purchased approximately 12.69 acres in Defined Area No. 2, which has been developed into approximately 76 single-family lots in Marvida.

Homebuilders within the District

Homebuilders active within the District include: Anglia Homes, Ashton Woods, Beazer Homes, Century Communities, Chesmar Homes, Colina Homes, David Weekley Homes, DR Horton, Brightland Homes, Hamilton Thomas Homes, K. Hovnanian Homes, Lennar Homes, Long Lake, Meritage Homes, Perry Homes, Taylor Morrison Homes, and Westin Homes. Prices of new homes being constructed within the District range from approximately $250,000 to $635,000.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(June 2023)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, the principal and interest requirements for the Bonds, and the annual debt service requirements of the Outstanding Bonds and the Bonds combined.

Calendar Year	Outstanding Debt Service	Plus: The Bonds Principal	Interest	Debt Service	Total Debt Service
2023	$ 3,142,103	$ –	$ –	$ –	$ 3,142,103
2024	14,730,856	–	1,853,612	1,853,612	16,584,468
2025	14,747,556	815,000	1,767,925	2,582,925	17,330,481
2026	14,750,488	855,000	1,734,525	2,589,525	17,340,013
2027	14,751,913	900,000	1,699,425	2,599,425	17,351,338
2028	14,751,653	940,000	1,662,625	2,602,625	17,354,278
2029	14,749,000	990,000	1,624,025	2,614,025	17,363,025
2030	14,748,678	1,035,000	1,583,525	2,618,525	17,367,203
2031	14,748,594	1,085,000	1,541,125	2,626,125	17,374,719
2032	14,750,213	1,140,000	1,496,625	2,636,625	17,386,838
2033	14,752,372	1,195,000	1,449,925	2,644,925	17,397,297
2034	14,748,400	1,255,000	1,400,925	2,655,925	17,404,325
2035	10,748,619	1,315,000	1,349,525	2,664,525	13,413,144
2036	10,795,394	1,375,000	1,295,725	2,670,725	13,466,119
2037	10,836,884	1,445,000	1,239,325	2,684,325	13,521,209
2038	10,912,197	1,515,000	1,180,125	2,695,125	13,607,322
2039	10,300,819	480,000	1,140,225	1,620,225	11,921,044
2040	8,585,981	2,260,000	1,085,425	3,345,425	11,931,406
2041	8,614,813	2,340,000	993,425	3,333,425	11,948,238
2042	8,630,975	2,440,000	897,825	3,337,825	11,968,800
2043	6,732,191	4,500,000	759,025	5,259,025	11,991,216
2044	6,533,797	4,925,000	570,525	5,495,525	12,029,322
2045	5,792,869	5,925,000	353,525	6,278,525	12,071,394
2046	3,269,100	2,700,000	177,650	2,877,650	6,146,750
2047	–	2,830,000	60,138	2,890,138	2,890,138
Total	$267,125,463	$44,260,000	$28,916,724	$73,176,724	$340,302,187

Average Annual Debt Service Requirement (2023–2047) .... $ 13,612,087

Maximum Annual Debt Service Requirement (2034) .... $ 17,404,325

Bonded Indebtedness

2022 Taxable Assessed Value	$ 2,394,932,802	(a)
2023 Preliminary Assessed Valuation	$ 3,138,176,834	(b)
Estimate of Value as of April 1, 2023	$ 3,232,601,461	(c)
Direct Debt:		
The Outstanding Bonds	$ 198,310,000	
The Bonds	$ 44,260,000	
Total	$ 242,570,000	
Estimated Overlapping Debt	$ 183,492,690	(d)
Total Direct and Estimated Overlapping Debt	$ 426,062,690	
Direct Debt Ratios:		
As a percentage of 2022 Taxable Assessed Value	10.13 %	
As a percentage of 2023 Preliminary Assessed Valuation	7.73 %	
As a percentage of Estimate of Value as of April 1, 2023	7.50 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2022 Taxable Assessed Value	17.79 %	
As a percentage of 2023 Preliminary Assessed Valuation	13.58 %	
As a percentage of Estimate of Value as of April 1, 2023	13.18 %	
Debt Service Fund Balance (as of June 1, 2023)	$ 18,329,707	(e)
General Fund Balance (as of June 1, 2023)	$ 26,984,297	
Capital Projects Fund Balance (as of June 1, 2023)	$ 14,679,881	

(a) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Harris Central Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Harris Central 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 Harris Central Appraisal District. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."

(c) Provided by the Harris Central Appraisal District for information purposes only, this amount is an estimate of the value of all taxable property located within the District as of April 1, 2023, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through April 1, 2023. No taxes will be levied against this amount. See "TAX DATA" and "TAXING PROCEDURES."

(d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

(e) Reflects funds available for payment of debt service on the Outstanding Bonds and the Bonds as of June 1, 2023. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund.

2022 Tax Rate per $100 of Assessed Taxable Valuation			
Debt Service		$ 0.68	(a)
Maintenance		$ 0.25	
Total District Tax Rate (Not within Defined Area Nos. 1 and 2)		$ 0.93	
Defined Area No. 1 Tax Rate		$ 0.57	(b)
Total Defined Area No. 1 Tax Rate		$ 1.50	
Defined Area No. 2 Tax Rate		$ 0.57	(c)
Total Defined Area No. 2 Tax Rate		$ 1.50	
Average Annual Debt Service Requirement (2023–2047)	$	13,612,087	(d)
Maximum Annual Debt Service Requirement (2034)	$	17,404,325	(d)
Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement (2023–2047) at 95% Tax Collections:			
Based Upon the 2022 Taxable Assessed Value		$ 0.60	
Based Upon the 2023 Preliminary Assessed Valuation		$ 0.46	
Based Upon the Estimate of Valuation as of April 1, 2023		$ 0.45	
Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement (2034) at 95% Tax Collections:			
Based Upon the 2022 Taxable Assessed Value		$ 0.77	
Based Upon the 2023 Preliminary Assessed Valuation		$ 0.59	
Based Upon the Estimate of Valuation as of April 1, 2023		$ 0.57	
Single-Family Homes (including 365 under construction) as of April 17, 2023		9,237	

(a) Represents the tax levied by the District upon taxable property located within the entire District, including Defined Area No. 1 and Defined Area No. 2, the proceeds of which are available for payment of debt service on the Outstanding Bonds and the Bonds. This tax is separate from the ad valorem taxes that are levied by the District upon taxable property located only within Defined Area No. 1 or Defined Area No. 2. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 1 or Defined Area No. 2 may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA – Estimated Overlapping Taxes."

(b) For the 2022 tax year, the District levied a tax of $0.57 upon taxable property located only within Defined Area No. 1. Such tax rate is composed entirely of a tax for payment of debt service on bonds secured by the proceeds of taxes levied upon taxable property located only within Defined Area No. 1. Proceeds from the District's levy of this tax may not be used for payment of debt service on the Bonds or the Outstanding Bonds. See "TAX DATA."

(c) For the 2022 tax year, the District levied a tax of $0.57 upon taxable property located only within Defined Area No. 2 Such tax rate is composed entirely of a tax for payment of debt service on bonds secured by the proceeds of taxes levied upon taxable property located only within Defined Area No. 2. See "TAX DATA."

(d) Requirement of debt service on the Outstanding Bonds and the Bonds. See "DISTRICT DEBT – Debt Service Requirement Schedule."

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 information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas, or other available information. 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 for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt June 30, 2023	Overlapping Percent	Overlapping Amount
Harris County	$1,770,442,125	0.43%	$7,622,326
Harris County Department of Education	20,185,000	0.43%	59,684
Harris County Flood Control District	797,615,000	0.44%	3,508,091
Harris County Hospital District	70,970,00	0.44%	312,094
Port of Houston Authority	445,749,397	0.44%	1,960,621
Cypress-Fairbanks Independent School District	3,180,915,000	3.71%	131,698,961
Lone Star College System	602,965,000	1.29%	7,750,913
Defined Area No. 1	14,380,000	100.00%	14,380,000
Defined Area No. 2	16,200,000	100.00%	16,200,000
Total Estimated Overlapping Debt			$183,492,690
The District (a)			$242,570,000
Total Direct & Estimated Overlapping (a)			$426,062,690

Debt Ratios

Direct Debt Ratio (a):		
As a Percentage of 2022 Taxable Assessed Valuation	10.13	%
As a Percentage of 2023 Preliminary Assessed Valuation	7.73	%
As a Percentage of Estimate of Value as of April 1, 2023	7.50	%
Direct and Estimated Overlapping Debt Ratio (a):		
As a Percentage of 2022 Taxable Assessed Valuation	17.79	%
As a Percentage of 2023 Preliminary Assessed Valuation	13.58	%
As a Percentage of Estimate of Value as of April 1, 2023	13.18	%

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-wide Appraisal District

Title I of the Texas Property Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Harris Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Harris County, Texas, including the District. Such appraisal values will be subject to review and change by the Harris 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

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. For the 2022 tax year, the District adopted a $20,000 residential homestead exemption for individuals who are disabled or 65 years of age or older. 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 for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead equal to the exemption received by the deceased spouse until such surviving spouse remarries.

A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. The exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, 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 was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District adopted a 10% homestead exemption of the appraised market value of residential homesteads from ad valorem taxation for the 2022 tax year. Such exemption applies only to the tax levied by the District upon all taxable property located within the boundaries of the entire District.

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 is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Harris County, Texas, may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, Texas, 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. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Harris County, Texas has not designated any 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 Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

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

Tax Payment Installments after Disaster

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

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

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 Code.

The Property 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 Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. 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. For the 2022 tax year, the Board of Directors adopted a resolution that classified the District as a "Developing District."

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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 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 years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All 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 Outstanding Bonds, the Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. See "TAXING PROCEDURES." The Board of Directors of the District has in its Bond Resolution covenanted 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 (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). For the 2022 tax year, the District levied a debt service tax of $0.68 per $100 of assessed valuation and a maintenance tax of $0.25 per $100 of assessed valuation.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$0.25 per $100 Assessed Taxable Valuation.

Maintenance Tax

The Board of Directors 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. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $0.25 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax every year since the 1986 tax year. See "Tax Rate Distribution" below.

Exemptions

For the 2022 tax year, the District adopted an exemption from ad valorem taxation of $20,000 of the approved value of residence homesteads of individuals who are disabled or are sixty-five (65) years of age or older and a 10% exemption for general residential homesteads. See "TAXING PROCEDURES."

Portions of the land owned by the Developers are undeveloped and at some future date could be used for agricultural purposes. Under state law, the owners of such land could be entitled to have such land valued on the basis of its agricultural productivity (qualified open-space land), which would be a small fraction of its fair market value. Each of the Developers have not previously claimed an agricultural valuation, and have waived, on behalf of themselves and their successors and assigns, any right to claim such valuation in future years. The waivers are binding for a period of 30 years.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2022 Taxable Assessed Value ($2,394,932,802), the 2023 Preliminary Assessed Valuation ($3,138,176,834) or the Estimate of Valuation as of April 1, 2023 ($3,232,601,461). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2023–2047)	$13,612,087
Tax Rate of $0.60 on the 2022 Taxable Assessed Valuation produces	$13,651,117
Tax Rate of $0.46 on the 2023 Preliminary Assessed Valuation produces	$13,713,833
Tax Rate of $0.45 on the Estimated Taxable Valuation as of April 1, 2023, produces	$13,819,371

Maximum Annual Debt Service Requirement (2034)	$17,404,325
Tax Rate of $0.77 on the 2022 Taxable Assessed Valuation produces	$17,518,933
Tax Rate of $0.59 on the 2023 Preliminary Assessed Valuation produces	$17,589,481
Tax Rate of $0.57 on the Estimated Taxable Valuation as of April 1, 2023, produces	$17,504,537

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 a 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 an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2022 taxes per $100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdiction	2022 Tax Rate
The District	$0.930000
Harris County	0.343730
Harris County Department of Education	0.004900
Harris County Hospital District	0.148310
Harris County Flood Control District	0.030550
Harris County Port of Houston Authority	0.007990
Harris County Emergency Service District No. 9	0.049984
Cypress-Fairbanks Independent School District	1.294800
Lone Star College System	0.107800
Total Tax Rate for District Not in Defined Area No. 1 or 2	$2.918064
Defined Area No. 1	$0.570000
Total Tax Rate for District Defined Area No. 1	$3.488064
Defined Area No. 2	$0.570000
Total Tax Rate for District Defined Area No. 2	$3.488064

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 9/30	Collections 04/30/23
2018	$1,422,825,710	1.05	$14,939,670	99.01%	2019	99.85%
2019	1,584,743,602	0.95	15,055,064	99.05%	2020	99.82%
2020	1,760,233,944	0.95	16,722,222	99.30%	2021	99.81%
2021	1,982,516,618	0.95	18,833,908	99.37%	2022	99.72%
2022	2,394,932,802	0.93	22,272,873	97.68% (b)	2023	97.68%

(a) Represents the District's tax rate levied upon all taxable property located within the boundaries of the District. See "Tax Rate Distribution" below.
(b) For the 2022 tax year, represents collections through April 30, 2023.

Tax Rate Distribution

The District	2022	2021	2020	2019	2018
Debt Service (a)	$0.680	$0.710	$0.750	$0.800	$0.800
Maintenance & Operations (b)	$0.250	$0.240	$0.200	$0.150	$0.250
Total	$0.930	$0.950	$0.950	$0.950	$1.050
Defined Area No. 1					
Debt Service (c)	$0.570	$0.550	$0.000	$0.000	–
Maintenance & Operations	$0.000	$0.000	$0.550	$0.550	–
Defined Area No. 2					
Debt Service (d)	$0.570	$0.000	–	–	–
Maintenance & Operations	$0.000	$0.550	–	–	–

(a) Such tax is levied by the District upon all taxable property located within the District, including Defined Area No. 1 and Defined Area No. 2, for payment of debt service on the Outstanding Bonds, the Bonds, and any additional bonds that the District may hereafter issue for the System.
(b) Such tax is levied by the District upon all taxable property located within the District, including Defined Area No. 1 and Defined Area No. 2, for payment of expenditures for maintenance and operations in the District.
(c) Such tax is levied by the District upon all taxable property located within Defined Area No. 1 for payment of debt service on bonds that the District may issue for Defined Area No. 1. The proceeds of such tax may not be used for payment of debt service on the Bonds.
(d) Such tax is levied by the District upon all taxable property located within Defined Area No. 2 for payment of debt service on bonds that the District may issue for Defined Area No. 2. The proceeds of such tax may not be used for payment of debt service on the Bonds.

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2018–2022 tax rolls as certified by the Harris Central Appraisal District.

Type of Property	2022 Taxable Assessed Value	2021 Taxable Assessed Value	2020 Taxable Assessed Value	2019 Taxable Assessed Value	2018 Taxable Assessed Value
Land	$602,728,334	$565,310,413	$454,219,562	$370,316,778	$336,936,853
Improvements	2,085,450,465	1,639,584,165	1,512,381,735	1,407,590,907	1,235,188,686
Personal Property	50,796,744	42,046,527	38,279,962	34,996,930	28,389,899
Exemptions	(344,042,741)	(264,424,487)	(244,647,315)	(228,161,013)	(177,689,728)
Total	$2,394,932,802	$1,982,516,618	$1,760,233,944	$1,584,743,602	$1,422,825,710

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2022 tax year.

Taxpayer	Types of Property	2022 Taxable Valuation
CPA Cue Luxury Apartments	Land & Improvements	$40,002,028
PS LPT Properties Investors	Land & Improvements	29,764,076
Astro Marvida LP (a)	Land & Improvements	15,357,745
Centerpoint Energy	Personal Property	14,381,140
Taylor Morrison Corp (a)	Land & Improvements	13,635,279
30 West Pershing LLC	Land & Improvements	10,478,287
CILB 2018 LP (a)	Land	10,308,364
VPTM Avalon LB LLC	Land	8,894,952
HON III LLC	Land & Improvements	7,506,864
M/I Homes of Houston (a)	Land	7,169,346
Principal Taxpayer Total		$157,498,081

Principal Taxpayer Total as Percentage of District 2022 Taxable Assessed Value	6.58%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPERS."

THE SYSTEM

According to the Engineer, the District's water distribution, wastewater collection and storm drainage facilities (collectively, the "System") have been designed in accordance with the then criteria of various regulatory agencies including Harris County, Texas, the City and the TCEQ. The construction and installation of the facilities was completed in accordance with the then standards and specifications of such entities. The System has been in operation for a number of years.

Regulation

Construction and operation of the District's System as it now exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of several Federal, State and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of Harris County, Texas, the TCEQ and the U.S. Army Corps of Engineers. Harris County, Texas, also exercises regulatory jurisdiction over the District's System. The Harris-Galveston Coastal Subsidence District regulates ground water usage.

Water Supply

The District's primary source of water is surface water received from the West Harris County Regional Water Authority ("Authority"). Currently, over 50% of the District's water supply is surface water from the Authority that flows through five water plants located in and owned and operated by the District. The four of the five water plants, as described below, were converted for surface water supply in 2020, however the District has the ability of obtaining its entire water supply from ground water produced by wells at each of the five water plants. See "Subsidence and Conversion to Surface Water Supply" below.

Water Plant No. 1 consists of a 1,500 gallon per minute ("gpm") well, a 500,000-gallon ground storage tank, two (2) 25,000-gallon hydropneumatic tanks, four (4) 1500 gpm booster pumps and related appurtenances. Water Plant No. 2 consists of a 800 gpm well, two (2) 300,000-gallon ground storage tanks, a 25,000-gallon hydropneumatic tank, four (4) 1500 gpm booster pumps and related appurtenances. Water Plant No. 3 consists of a 1,200 gpm well, two (2) 300,000-gallon ground storage tanks, a 25,000-gallon hydropneumatic tank, four (4) 1500 gpm booster pumps and related appurtenances. Water Plant No. 4 consists of a 1,500 gpm well, two (2) 300,000-gallon ground storage tanks, two (2) 25,000-gallon hydropneumatic tanks, four (4) 1500 gpm booster pumps and related appurtenances. Water Plant No. 5 consists of a 1,500 gpm well, two (2) 300,000-gallon ground storage tanks, two (2) 25,000-gallon hydropneumatics tanks, four (4) 1,500 gpm booster pumps and related appurtenances. All of the District's water plants have emergency power generation provided by either diesel or natural gas generators.

The District has commenced construction of Water Plant No. 6, which includes a 1,500 gpm well, two (2) 300,000 gallon ground storage tanks, two (2) 25,000-gallon hydropneumatics tanks, four (4) 1500 gpm booster pumps and related appurtenances. Water Plant No. 6 is expected to come into operation in early 2024.

As of April 2023, the District was serving approximately 9,500 ESFCs. Collectively, the District's water wells are currently operating at 70% of their respective design capacities. The District has the capacity to serve approximately 11,170 ESFCs. Upon completion of Water Plant No. 6, the District will have the capacity to serve approximately 14,500 ESFCs.

Emergency water interconnect lines between Harris County Municipal Utility District No. 105 ("MUD 105"), Harris County Municipal Utility District No. 156 ("MUD 156"), Harris County Municipal Utility District No. 157 ("MUD 157"), Harris County Municipal Utility District No. 172 ("MUD 172") and the District are complete. Additional interconnection points with all four adjacent utility districts may be considered to ensure emergency water availability throughout the District.

Sewage Collection and Treatment

The District and MUD 157 have entered into multiple Contracts for Financing, Construction and Operation of Regional Wastewater Treatment Facilities pursuant to which the District and MUD 157 have constructed a 2.3 million gallon per day ("MGD") wastewater treatment plant, with 1.045 MGD reserved for the District. Such capacity is sufficient to serve approximately 4,019 ESFCs based on 260 gallons per day per connection. The cost of operating such facility is shared between the districts based in part upon the number of ESFCs being served by each district and in part by the amount of wastewater treatment capacity owned by each district.

The District solely owns a 2.0 MGD plant which is full capacity of the permanent wastewater treatment plant ("WWTP No. 1") that is currently capable of serving 6,667 ESFCs based on 300 gallons per day per connection. The total capacity of both the regional plant and WWTP No. 1 is 10,686 connections. In addition, the District is constructing a new wastewater treatment plant ("WWTP No. 2") with a Phase 1 capacity of 1.00 MGD with completion expected in the second half of 2023. Phase 2 of development of WWTP No. 2 is expected to expand the capacity of WWTP No. 2 from 1.0 MGD to 2.0 MGD.

As of April 2023, the District is serving approximately 9,500 ESFCs. With the existing facilities and the completion the first and second phases of WWTP No. 2, the District will have the capacity to serve approximately 17,351 ESFCs.

Drainage

An underground storm sewer system conveys runoff from within the District to an outfall drainage channel, Dinner Creek, which has undergone rectification in a joint project between the District and MUD 157. The rectified creek serves all of the areas within the District and MUD 157. These channel improvements extended southward through the District and MUD 157 and terminated at Barker Cypress Road. Subsequent to the Dinner Creek improvements constructed by the districts, the Harris County Flood Control District has implemented a regional drainage program and the District has constructed additional improvements to Langham Creek. As a result of such drainage improvements, all but a small portion of the land located within the District lies outside the 100-year flood plain as reflected on the National Flood Insurance Rate Map, panel 120 of 390, dated August 16, 1996. The District has entered into an Agreement with Harris County Municipal Utility District No. 433 wherein the parties share in the cost of the initial improvements, future improvement and operation and maintenance of the channel.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 300 acres in the District are located within the 100-year flood plain, however, no development is planned for such land.

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.

Subsidence and Conversion to Surface Water Supply

The District is within the boundaries of the Harris Galveston Subsidence District (the "Subsidence District") which regulates groundwater withdrawal. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in certain areas within the Subsidence District's jurisdiction, including the area within the District. In 2001, the Texas legislature created the Authority to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County and a small portion of Fort Bend County. The District is not located within the boundaries of the Authority, but has entered into a contract to be included in the Authority's GRP (defined below). The Authority has entered into a Water Supply Contract with the City of Houston, Texas ("Houston") to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan ("GRP") and obtained Subsidence District approval of its GRP. The Authority's GRP sets forth the Authority's plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District's groundwater well(s) are included within the Authority's GRP.

The District's authority to pump groundwater is subject to an annual permit issued by the Subsidence District to the Authority, which permit includes all groundwater wells that are included in the Authority's GRP. The Authority, among other powers, has the power to: (i) issue debt supported by the revenues pledged for the payment of its obligations; (ii) establish fees (including fees to be paid by the District for groundwater pumped by the District or for surface water received by the District from the Authority), user fees, rates, charges and special assessments as necessary to accomplish its purposes; and (iii) mandate water users, including the District, to convert from groundwater to surface water. The Authority currently charges the District, and other major groundwater users, a fee per 1,000 gallons based on the amount of groundwater pumped by the District and the amount of surface water, if any, received by the District from the Authority. The Authority has issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will continue to issue a substantial amount of bonds by the year 2035 to finance the Authority's project costs, and it is expected that the fees charged by the Authority will increase substantially over such period.

Under the Subsidence District regulations and the GRP, the Authority is required: (i) through the year 2024, to limit groundwater withdrawals to no more than 70% of the total annual water demand of the water users within the Authority's GRP; (ii) beginning in the year 2025, to limit groundwater withdrawals to no more than 40% of the total annual water demand of the water users within the Authority's GRP; and (iii) beginning in the year 2035, and continuing thereafter, to limit groundwater withdrawals to no more than 20% of the total annual water demand of the water users within the Authority's GRP. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a disincentive fee penalty per 1,000 gallons ("Disincentive Fees") imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand in the Authority's GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely impose monetary or other penalties against the District.

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

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Operating History

H2O Consulting currently operates and maintains the System under a contract with the District. This includes operation and maintenance of all components of the System except storm sewers and drainage ditches which are maintained by Harris County, Texas. To the best of the Engineer's knowledge the System is in compliance with the requirements of all governmental agencies. The following information relating to the District's waterworks and sewer system operations is provided for informational purposes only.

The following statement summarizes the operating history of the District's waterworks and sewer system for the last five years. The figures below were obtained from the District's audited financial statements for the fiscal years ended September 30, 2019, through September 30, 2022, to which reference is made for more complete and further information. See "APPENDIX A."

	Fiscal Year Ended September 30				
	2023 (a)	2022	2021	2020	2019
Revenues					
Property Taxes	$5,952,475	$4,904,202	$3,648,401	$2,430,958	$3,551,578
Sales Tax Rebates	110,757	146,118	135,303	117,701	94,141
Water Service	3,418,609	3,837,761	3,172,370	3,046,377	2,906,978
Sewer Service	2,712,034	3,490,730	3,164,353	2,932,047	2,799,869
Regional Water Fee	2,956,390	3,661,902	3,034,065	2,927,238	2,409,145
Penalty and Interest	345,239	221,235	4,695	98,300	291,294
Tap Connection Inspection Fees	2,307,264	1,524,498	589,658	494,202	493,520
Investment Income	688,888	139,429	15,402	161,945	363,760
Other Income	5,000	962	–	128,149	1,767
Total Revenues	$18,496,656	$17,926,837	$13,764,247	$12,336,917	$12,912,052
Expenditures					
Purchased Services - Sewer	$396,115	$541,828	$–	$773,589	$634,476
Purchased Services - Water	24,718	2,169,618	19,902	22,490	28,385
Regional Water Fees	2,814,775	1,663,478	3,042,132	2,866,622	2,487,743
Professional Fees	604,037	992,087	1,083,950	791,631	892,189
Contracted Services	3,461,180	4,174,396	3,682,159	3,334,640	3,243,109
Utilities	397,465	438,695	345,355	372,762	338,458
Recreational Facilities	162,701	193,004	150,725	181,376	177,530
Repairs and Maintenance	2,007,930	2,547,431	2,215,086	1,964,925	1,729,012
Other Expenditures	727,741	467,365	447,465	411,009	409,053
Tap Connections	946,926	778,525	295,175	185,600	258,935
Capital Outlay	1,636,874	1,003,751	958,631	2,727,352	3,776,434
Debt Service	–	45,000	106,256	108,880	12,500
Total Expenditures	$13,180,462	$15,015,178	$12,346,836	$13,740,876	$13,987,824
Excess Revenues (Expense)	$5,316,194	$2,911,659	$1,417,411	($1,403,959)	($1,075,772)
Interfund Transfers in	–	$187,955	$234,352	$364,597	$3,341,128
Reimbursement from Government Entity	–	$29,573	$459,230	$2,860,418	$32,974
Beginning Fund Balance	$23,189,698	$20,060,511	$17,949,518	$16,128,462	$13,830,132
Ending Fund Balance	$28,505,892	$23,189,698	$20,060,511	$17,949,518	$16,128,462

(a) Unaudited figures for the nine month period ending June, 2023, provided by the District's Bookkeeper.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City or any political subdivision other than the District, will be secured by a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds and the Outstanding Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

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.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowners/Developers: There is no commitment by or legal requirement of the principal landowners/developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNERS/DEVELOPERS," and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Taxable Assessed Value of property located within the District (see "TAX DATA") is $2,394,932,802, the 2023 Preliminary Assessed Valuation is $3,138,176,834 and the Estimate of Valuation as of April 1, 2023, is $3,232,601,461. After issuance of the Bonds, the maximum annual debt service requirement of the Outstanding Bonds and the Bonds will be $17,404,325 (2034) and the average annual debt service requirement of the Outstanding Bonds and the Bonds will be $13,612,087 (2023–2047). Assuming no increase to nor decrease from the 2022 Taxable Assessed Value, tax rates of $0.77 and $0.60 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, tax rates of $0.59 and $0.46 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 Estimate of Valuation as of April 1, 2023, tax rates of $0.57 and $0.45 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a debt service tax rate of $0.68 per $100 of assessed valuation for 2022 plus a maintenance tax of $0.25 per $100 of assessed valuation.

Potential Impact of Natural Disaster

The District is located along the Texas Gulf Coast and, as it has in the past, the areas in and around the District could be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather event. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from weather-related events.

Hurricane Harvey

On August 26, 2017, Hurricane Harvey made landfall on the Texas Gulf Coast and severely impacted numerous localities in the region. The District and its facilities did not sustain any significant damage due to Hurricane Harvey. The Gulf Coast region where the District is located is subject to occasional destructive weather events, and there is no assurance that the District will not suffer damages from such destructive weather events in the future. See "INVESTMENT CONSIDERATIONS – Potential Impact of Natural Disaster."

Specific Flood Type Risks

The District may be subject to the following flood 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.

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.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston, Texas, area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or home builder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

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 and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

District's Prior Bankruptcy

In 1992, faced with steadily decreasing property values in the District and a regional adverse demand for new and used suburban residences, the District filed a voluntary petition in the United States Bankruptcy Court for the Southern District of Texas, Case No. 93-43120-H4-9 for relief under Chapter 9 of the Bankruptcy Code. The District filed the Bankruptcy Plan of its debt with the Bankruptcy Court, which Bankruptcy Plan provided, among other things, that as of the effective date of the Bankruptcy Plan, the remaining outstanding principal of the District's Defaulted Bonds would be exchanged and modified with the District's amended bonds as set forth in the Bankruptcy Plan. In 2000, the District issued its Series 2000 Refunding Bonds and defeased the Defaulted

Bonds. The defeasance of the District's Defaulted Bonds satisfied the only remaining outstanding claims against the District's Bankruptcy Plan. From that point forward, the District no longer operates subject to the Bankruptcy Plan. See "THE BONDS – District's Prior Bankruptcy."

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidder of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

District Bonds

The District may issue additional bonds with the approval of the TCEQ as necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of an aggregate of $665,684,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining the System and could authorize additional amounts. Voters of the District have also authorized the District's issuance of $8,000,000 principal amount of unlimited tax refunding bonds and $16,000,000 principal amount of unlimited tax park and recreational bonds.

Following the issuance of the Bonds, $352,164,000 of unlimited tax bonds for the System, $4,777,733.52 unlimited tax refunding bonds, and $16,000,000 unlimited tax recreational bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ).

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The District prepared a parks master plan, and on November 7, 2006, the District's voters authorized $16,000,000 in unlimited tax bonds for the purpose of acquiring and constructing parks and recreational facilities. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park bond application for the issuance of bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Currently, the District is developing parks using surplus operating funds.

Defined Area No. 1 Bonds

On January 3, 2019, the Board designated approximately 833.04 acres within the District as "Defined Area No. 1." Defined Area No. 1 was created pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system, a road system and recreational improvements to serve Defined Area No. 1, for which Defined Area No. 1 intends to sell ad valorem unlimited tax bonds. At an election held on May 4, 2019, voters in Defined Area No. 1 confirmed the creation of Defined Area No. 1 and authorized $149,440,000 principal amount of unlimited tax and refunding bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 1; $281,255,000 principal amount of unlimited tax and refunding bonds for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system to serve Defined Area No. 1; and $43,995,000 principal amount unlimited tax and refunding bonds for recreational improvements to serve Defined Area No. 1. On such election held on May 4, 2019, voters within Defined Area No. 1 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 1 facilities.

To date, the District has issued two series of road bonds from such voted authorization for Defined Area No. 1 in the principal amount of $14,380,000 for financing the acquisition and construction of certain road facilities serving Defined Area No. 1. The following principal amounts of bonds related to Defined Area No. 1 remain authorized but unissued: $135,060,000 principal amount of unlimited tax and refunding bonds for the road improvements to serve Defined Area No. 1; $281,255,000 principal amount of unlimited tax and refunding bonds for the purposes of purchasing, constructing, operating and maintaining a water, wastewater and storm drainage system to serve Defined Area No. 1; and $43,995,000 principal amount of unlimited tax and refunding bonds for recreational improvements to serve Defined Area No. 1.

Bonds issued for Defined Area No. 1 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 1 and not on any other part of the District. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 1 may not be used for payment of debt service on the Bonds or the Outstanding Bonds.

Defined Area No. 2 Bonds

On August 6, 2020, the District approved the annexation of approximately 854.61 acres into its boundaries and designated approximately 858.64 acres (being the 854.61-acre tract annexed into the District plus 4.03 acres within the District's boundaries prior to August 6, 2020) as "Defined Area No. 2." On November 3, 2020, voters within Defined Area No. 2 approved the designation of Defined Area No. 2 pursuant to the provisions of Subchapter J of Chapter 54 of the Texas Water Code and authorized the District's issuance of the following bonds: $155,836,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $27,727,294 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $277,673,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $49,297,112 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $36,431,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2; and $10,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2. At such election held on November 3, 2020, voters within Defined Area No. 2 also authorized the levy of taxes to support such bonds and the levy of taxes for operation and maintenance of the Defined Area No. 2 facilities.

To date, the District has issued three series of road bonds from such voted authorization for Defined Area No. 2 in the principal amount of $16,200,000 for financing the acquisition and construction of certain road facilities serving Defined Area No. 2. The following principal amounts of bonds related to Defined Area No. 2 will remain authorized but unissued: $139,636,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $27,727,294 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the purpose of purchasing, constructing, operating, and maintaining road facilities serving Defined Area No. 2; $277,673,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $49,297,112 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining a water, wastewater, and storm drainage system serving Defined Area No. 2; $36,431,000 principal amount of unlimited tax bonds for the purpose of purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2; and $10,930,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for purchasing, constructing, operating, and maintaining parks and recreational facilities serving Defined Area No. 2. See "INVESTMENT CONSIDERATIONS – Future Debt."

Bonds issued for Defined Area No. 2 are payable solely from the proceeds of taxes levied and collected within the boundaries of Defined Area No. 2 and not on any other part of the District. Proceeds of taxes levied by the District upon taxable property located only within Defined Area No. 2 may not be used for payment of debt service on the Bonds or the Outstanding Bonds.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Environmental Regulations

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

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

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

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

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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 Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District or Initial Purchaser has 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 "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

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 limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Purchasers 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

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

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

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the 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 cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Not Qualified Tax-Exempt Obligations

The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

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

OFFICIAL STATEMENT

General

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

The financial statements of the District as of September 30, 2022, and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2022 audited financial statements.

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT – Description" and "THE SYSTEM" has been provided by DAC Services, Inc. dba DAC Engineering and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Bob Leared Interests and the Appraisal District. Such information has been included herein in reliance upon Bob Leared Interests' authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity and 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, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation 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 notify the District in writing 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 Harris County Municipal Utility District No. 165 as of the date shown on the first page hereof.

/s/ Alan Bentson
President, Board of Directors
Harris County Municipal Utility District No. 165

ATTEST:

/s/ Wayne Green
Secretary, Board of Directors
Harris County Municipal Utility District No. 165

APPENDIX A

Independent Auditor's Report and Financial Statements of the District for Fiscal Year Ended September 30, 2022

Harris County Municipal Utility District No. 165
Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2022

Harris County Municipal Utility District No. 165
September 30, 2022

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FORV/S

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Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 165
Harris County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 165 (the District), as of and for the year ended September 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 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 (GAAS). 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 these 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 12 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 GAAS 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 GAAS, 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 schedule, as listed in the table of contents, 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 certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises schedules required by the Texas Commission on Environmental Quality as listed in the table of contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Houston, Texas
March 28, 2023

Harris County Municipal Utility District No. 165

Management's Discussion and Analysis

September 30, 2022

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2022	2021
Current and other assets	$ 58,737,714	$ 76,567,630
Capital assets	175,765,444	134,348,716
Total assets	234,503,158	210,916,346
Deferred outflows of resources	3,140,832	3,386,181
Total assets and deferred outflows of resources	$ 237,643,990	$ 214,302,527
Long-term liabilities	$ 234,431,313	$ 208,571,106
Other liabilities	7,998,228	5,915,713
Total liabilities	242,429,541	214,486,819
Net position:		
Net investment in capital assets	(41,300,965)	(31,152,018)
Restricted	13,258,943	10,814,266
Unrestricted	23,256,471	20,153,460
Total net position	$ (4,785,551)	$ (184,292)

The total net position of the District decreased by $4,601,259. The majority of the decrease in net position is related to conveyance of capital assets to another governmental entity for maintenance. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At September 30, 2022, the net investment in capital assets was $(41,300,965). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Summary of Changes in Net Position

	2022	2021
Revenues:		
Property taxes	$ 19,195,186	$ 16,881,962
City of Houston rebates	146,118	135,303
Charges for services	10,990,393	9,370,788
Other revenues	2,534,363	1,317,828
Total revenues	32,866,060	27,705,881
Expenses:		
Services	14,805,557	13,072,999
Conveyance of capital assets	10,170,674	1,463,365
Depreciation	3,495,781	2,684,520
Debt service	8,995,307	7,015,990
Total expenses	37,467,319	24,236,874
Change in net position	(4,601,259)	3,469,007
Net position, beginning of year	(184,292)	(3,653,299)
Net position, end of year	$ (4,785,551)	$ (184,292)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2022, were $50,899,183, a decrease of $19,741,415 from the prior year.

The general fund's fund balance increased by $3,129,187, primarily due to property taxes and service revenues in excess of service operating expenditures as well as tap connection and inspection fees revenues exceeding related tap connection expenditures.

The debt service fund's fund balance increased by $2,704,923, primarily due to property tax revenues being greater than bond principal and interest requirements.

The capital projects fund's fund balance decreased by $25,575,525. This net decrease was primarily related to capital outlay expenditures, repayment of the Series 2021 bond anticipation note with interest and debt issuance costs exceeding developer advances received and proceeds received from the sale of bonds and certain capital assets.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to sewer service revenue, regional water fee revenue and expenditures, tap connection and inspection fee revenues and related expenditures, as well as professional fees and repair and maintenance expenditures being higher than anticipated. In addition, capital outlay expenditures were lower than anticipated and debt issuance costs, a transfer received from the capital projects fund and reimbursements from the Federal Emergency Management Agency were not included in the current year budget. The fund balance as of September 30, 2022, was expected to be $15,967,891 and the actual end-of-year fund balance was $23,189,698.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2022	2021
Land and improvements	$ 53,638,890	$ 44,546,753
Construction in progress	42,713,714	28,366,145
Water facilities	27,907,191	25,488,329
Wastewater facilities	39,261,445	32,892,957
Parks and recreation facilities	1,513,647	1,704,218
Road and paving facilities	10,730,557	1,350,314
Total capital assets	$ 175,765,444	$ 134,348,716

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

Land and land improvements, including Longenbaugh Road detention pond; West Road at Grand Parkway ultimate drainage channel; Marvida Sections 1-4 reserves, right-of-ways to serve Morrison Grove Drive and Caspian Run Drive, Marvida Bridge Creek Terrace, Mason Road, Phases 1 and 2, Avalon at Cypress, Section 1 and West Road to Mason Road, Marvida detention pond, and sites to serve wastewater treatment plant No. 2, water plant No. 5 and Langham Creek	$ 9,993,369
Construction in progress related to wastewater treatment plant No. 2, Phase 1, wastewater treatment plant No. 1 expansion, water plant No. 6, generators at lift station Nos. 7, 11, 12 and 16, West Road interconnect, water line to serve water plant No. 5, wastewater treatment plant No. 2, Phase 2, lift station SCADA system, Langham Creek detention, Phase 2, McGill Phase 1 drainage channel, West Road segment 1 water, sewer and drainage facilities, mass grading U500-02 Basin, Phase 2, Lancaster waterline replacement project, CIPP Amhurst, Section 2 and Tealbrook, Section 3, Marvida South Cypress Fairbanks Station, Marvida, Phase 1 excavation and grading and Windhaven Drainage modifications	19,628,779

Water and sewer facilities to serve Miramesa, Sections 1 - 4, Marvida, Sections 1 - 7, West Road street dedication, Section 2 and Morrison Grove Drive and Caspian Run street dedication, Section 1, Westgreen Boulevard, Section 6 and Segment 1, Avalon at Cypress, Sections 2-5, Marvida, Sections 11 and 18, Mason Road at Avalon at Bridge Creek, Section 2, and Bridge Creek Terrace Drive	$	7,687,796
Waterline and force main to serve wastewater treatment plant No. 2		540,882
12" waterline at Mason Road and Bridge Creek Terrace Drive		162,561
Lift station to serve Miramesa West		57,997
Wastewater treatment plant No. 2 lift station		133,598
Emergency generators at lift stations No. 6, 8 and 9		314,428
Water plant No. 2 fence replacement		165,949
Paving facilities to serve Bridgecreek Terrace Drive, Morrison Grove Drive and Caspian Run Drive street dedication, Section 1, Marvida, Section 1 drainage facilities, Marvida, Sections 4, 5, 10 and 11, Mason Road at Avalon Bridge street dedication, Section 1, Bridge Creek Section 5, Avalon at Cypress, Sections 1 and 6, Avalon at Cypress-West Road, Avalon at Cypress - Mason Road Phase 1 and 2, West Road at Grand Parkway and West Road at Grand Parkway ultimate reinforced concrete paving and traffic signal modifications Fry Road at Miramesa Drive		9,195,171
Total additions to capital assets	$	47,880,530

Developers within the District have constructed water, sewer, drainage, roads and park facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities with the proceeds of future bond issues, subject to the approval of the Commission. At September 30, 2022, a liability for developer-constructed capital assets totaling $15,933,828 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2022, were as follows:

Long-term debt payable, beginning of year	$	208,571,106
Increases in long-term debt		84,568,941
Decreases in long-term debt		(58,708,734)
Long-term debt payable, end of year	$	234,431,313

On December 16, 2021, the District issued its $10,305,000 Unlimited Tax Refunding Bonds, Series 2021, to refund $2,135,000 of outstanding Series 2014 Refunding Bonds, $5,170,000 of outstanding Series 2014A Bonds and $2,925,000 of outstanding Series 2014B Bonds. The District refunded the bonds to reduce total debt service payments over future years by $1,043,016 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $845,276.

At September 30, 2022, the District had $396,424,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems and $16,000,000 for financing and constructing recreational facilities. In addition, the District had $281,255,000 for water, sewer and drainage facilities, $43,995,000 for recreational facilities and $141,310,000 for road facilities in unlimited tax bonds authorized, but unissued, for Defined Area No. 1. The District also had $277,673,000 for water, sewer and drainage facilities, $36,431,000 for recreational facilities and $150,926,000 for road facilities in unlimited tax bonds authorized, but unissued, for Defined Area No. 2.

The District's bonds carry an underlying rating of "BBB" from Standard & Poor's or "A2" from Moody's Investors Service (Moody's). The Series 2014B, 2015, 2019, 2020 and 2020 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance by Assured Guaranty Municipal Corp. The Series 2013, 2014 refunding, 2014A, 2015 refunding, 2018, 2021 refunding, 2022 and Defined Area No. 1 road bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance by Build America Mutual Assurance Company. The Series 2017 bonds carry a "Baa2" rating from Moody's by virtue of bond insurance issued by National Public Finance Guarantee Corporation.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth as follows.

Strategic Partnership Agreement

Effective December 12, 2008, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years.

Contingencies

Developers of the District are constructing water, sewer and drainage and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, with the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $74,830,900. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Subsequent Events

On December 6, 2022, the District issued $6,250,000 in Defined Area No. 1 unlimited tax road bonds, Series 2022A, at a net effective interest rate of approximately 5.271 percent. The bonds were sold to finance road construction projects within Defined Area No. 1 of the District and to reimburse the District's developers.

On December 6, 2022, the District issued $4,200,000 in Defined Area No. 2 unlimited tax road bonds, Series 2022A, at a net effective interest rate of approximately 5.321 percent. The bonds were sold to finance road construction projects within Defined Area No. 2 of the District and to reimburse the District's developers.

On December 8, 2022, the District issued a $27,508,000 Bond Anticipation Note, Series 2022, at an interest rate of 4.80 percent. Proceeds of the note were used to reimburse developers for construction projects within the District.

Harris County Municipal Utility District No. 165
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 3,239,653	$ 228,637	$ 157,683	$ 3,625,973	$ -	$ 3,625,973
Certificates of deposit	953,385	240,000	-	1,193,385	-	1,193,385
Short-term investments	19,406,616	12,525,792	19,261,448	51,193,856	-	51,193,856
Receivables:						
Property taxes	66,773	237,327	-	304,100	-	304,100
Service accounts	1,883,879	-	-	1,883,879	-	1,883,879
Accrued interest	3,363	789	-	4,152	-	4,152
Sales tax rebates	36,262	-	-	36,262	-	36,262
Accrued penalty and interest	-	-	-	-	148,922	148,922
Due from others	7,032	-	-	7,032	-	7,032
Interfund receivables	6,385	1,288	6,366	14,039	(14,039)	-
Prepaid expenditures	181,965	-	-	181,965	-	181,965
Operating deposit	158,188	-	-	158,188	-	158,188
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	53,638,890	53,638,890
Construction in progress	-	-	-	-	42,713,714	42,713,714
Infrastructure	-	-	-	-	67,168,636	67,168,636
Parks and recreation	-	-	-	-	1,513,647	1,513,647
Roads	-	-	-	-	10,730,557	10,730,557
Total assets	25,943,501	13,233,833	19,425,497	58,602,831	175,900,327	234,503,158
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	3,140,832	3,140,832
Total assets and deferred outflows of resources	$ 25,943,501	$ 13,233,833	$ 19,425,497	$ 58,602,831	$ 179,041,159	$ 237,643,990

Harris County Municipal Utility District No. 165

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 1,302,882	$ 67,699	$ 1,894,633	$ 3,265,214	$ -	$ 3,265,214
Retainage payable	-	-	1,926,379	1,926,379	-	1,926,379
Accrued interest payable	-	-	-	-	612,719	612,719
Customer deposits	1,352,084	-	-	1,352,084	-	1,352,084
Due to others	24,410	-	817,422	841,832	-	841,832
Interfund payables	7,654	6,385	-	14,039	(14,039)	-
Long-term liabilities:						
Due within one year	-	-	-	-	8,300,000	8,300,000
Due after one year	-	-	-	-	226,131,313	226,131,313
Total liabilities	2,687,030	74,084	4,638,434	7,399,548	235,029,993	242,429,541
Deferred Inflows of Resources						
Deferred property tax revenues	66,773	237,327	0	304,100	(304,100)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	181,965	-	-	181,965	(181,965)	-
Restricted:						
Unlimited tax bonds	-	12,922,422	-	12,922,422	(12,922,422)	-
Water, sewer and drainage	-	-	14,787,063	14,787,063	(14,787,063)	-
Assigned:						
Future expenditures	2,355,500	-	-	2,355,500	(2,355,500)	-
Operating deposit	158,188	-	-	158,188	(158,188)	-
Unreserved	20,494,045	-	-	20,494,045	(20,494,045)	-
Total fund balances	23,189,698	12,922,422	14,787,063	50,899,183	(50,899,183)	0
Total liabilities, deferred inflows of resources and fund balances	$ 25,943,501	$ 13,233,833	$ 19,425,497	$ 58,602,831		
Net position:						
Net investment in capital assets					(41,300,965)	(41,300,965)
Restricted for debt service					12,440,380	12,440,380
Restricted for capital projects					818,563	818,563
Unrestricted					23,256,471	23,256,471
Total net position					$ (4,785,551)	$ (4,785,551)

Harris County Municipal Utility District No. 165

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

Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 4,904,202	$ 14,296,760	$ -	$ 19,200,962	$ (5,776)	$ 19,195,186
Sales tax rebates	146,118	-	-	146,118	-	146,118
Water service	3,837,761	-	-	3,837,761	-	3,837,761
Sewer service	3,490,730	-	-	3,490,730	-	3,490,730
Regional water fee	3,661,902	-	-	3,661,902	-	3,661,902
Penalty and interest	221,235	192,086	-	413,321	(3,171)	410,150
Tap connection and inspection fees	1,524,498	-	-	1,524,498	-	1,524,498
Investment income	139,429	96,674	140,706	376,809	-	376,809
Other income	962	-	-	962	221,944	222,906
Total revenues	17,926,837	14,585,520	140,706	32,653,063	212,997	32,866,060
Expenditures/Expenses						
Service operations:						
Purchased services - sewer	541,828	-	-	541,828	-	541,828
Purchased services - water	2,169,618	-	-	2,169,618	-	2,169,618
Regional water fee	1,663,478	-	-	1,663,478	-	1,663,478
Professional fees	992,087	90,241	-	1,082,328	193,247	1,275,575
Contracted services	4,174,396	265,374	-	4,439,770	-	4,439,770
Utilities	438,695	-	-	438,695	-	438,695
Recreational facilities	193,004	-	-	193,004	-	193,004
Repairs and maintenance	2,547,431	-	-	2,547,431	21,330	2,568,761
Other expenditures	467,365	20,935	540	488,840	247,463	736,303
Tap connections	778,525	-	-	778,525	-	778,525
Capital outlay	1,003,751	-	51,703,179	52,706,930	(52,706,930)	-
Conveyance of capital assets	-	-	-	-	10,170,674	10,170,674
Depreciation	-	-	-	-	3,495,781	3,495,781
Debt service:						
Principal retirement	-	6,590,000	37,010,000	43,600,000	(43,600,000)	-
Interest and fees	-	5,347,493	226,724	5,574,217	489,615	6,063,832
Debt issuance costs	45,000	376,814	2,509,661	2,931,475	-	2,931,475
Total expenditures/expenses	15,015,178	12,690,857	91,450,104	119,156,139	(81,688,820)	37,467,319
Excess (Deficiency) of Revenues Over Expenditures	2,911,659	1,894,663	(91,309,398)	(86,503,076)	81,901,817	

Harris County Municipal Utility District No. 165

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

Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
Interfund transfers in (out)	$ 187,955	$ -	$ (187,955)	$ -	$ -	
General obligation bonds issued	-	10,743,122	63,051,878	73,795,000	(73,795,000)	
Discount on debt issued	-	-	(1,367,707)	(1,367,707)	1,367,707	
Payments to escrow agent	-	(10,415,712)	-	(10,415,712)	10,415,712	
Reimbursement from governmental entity	29,573	-	-	29,573	(29,573)	
Developer advances - construction	-	-	2,293,906	2,293,906	(2,293,906)	
Premium on debt issued	-	482,850	-	482,850	(482,850)	
Sale of capital asset	-	-	1,943,751	1,943,751	(1,943,751)	
Total other financing sources	217,528	810,260	65,733,873	66,761,661	(66,761,661)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,129,187	2,704,923	(25,575,525)	(19,741,415)	19,741,415	
Change in Net Position					(4,601,259)	$ (4,601,259)
Fund Balances/Net Position						
Beginning of year	20,060,511	10,217,499	40,362,588	70,640,598	-	(184,292)
End of year	$ 23,189,698	$ 12,922,422	$ 14,787,063	$ 50,899,183	$ 0	$ (4,785,551)

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

Harris County Municipal Utility District No. 165 (the District) was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the Commission), effective July 6, 1978, in accordance with the Texas Water Code, Chapter 54 and Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District.

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2022, include collections during the current period or within 60 days of year-end related to the 2021 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2022, the 2021 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

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

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

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

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Parks and recreation facilities	10-20
Road and paving facilities	10-40

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2022

Long-term Obligations

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

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

Net Position /Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$ 175,765,444
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	304,100
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	148,922
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	3,140,832
Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	(612,719)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	(234,431,313)
Adjustment to fund balances to arrive at net position.	$ (55,684,734)

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2022

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

Change in fund balances.	$ (19,741,415)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation, conveyance of capital assets and noncapitalized costs in the current period.	38,578,435
Governmental funds report developer advances as other financing sources or uses as amounts are received or paid. However, for government-wide financial statements, these amounts are recorded as an increase or decrease in due to developer.	(2,293,906)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	884,857
Governmental funds report proceeds from the sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.	(19,779,288)
Revenues that do not provide current financial resources are not reported as revenues for the funds, but are reported as revenues in the statement of activities.	183,424
Governmental funds report proceeds from the sale of capital assets because they provide current financial resources to governmental funds. However, for government-wide financial statements, these amounts are recorded as a reduction of capital assets.	(1,943,751)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(489,615)
Change in net position of governmental activities.	$ (4,601,259)

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At September 30, 2022, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in TexPool and TexSTAR, external investment pools that are not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool, while a Board of Directors, made up of participants and representatives of the administrator and investment manager, has oversight of TexSTAR. The District's investments may be redeemed at any time.

At September 30, 2022, the District had the following investments and maturities.

	Maturities in Years				
Type	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	$ 15,200,582	$ 15,200,582	$ -	$ -	$ -
TexSTAR	35,993,274	35,993,274	-	-	-
Total	$ 51,193,856	$ 51,193,856	$ 0	$ 0	$ 0

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2022, the District's investments in TexPool and TexSTAR were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2022, as follows:

Carrying value:	
Deposits	$ 4,819,358
Investments	51,193,856
Total	$ 56,013,214

Included in the following statement of net position captions:

Carrying value:	
Cash	$ 3,625,973
Certificates of deposit	1,193,385
Short-term investments	51,193,856
Total	$ 56,013,214

Investment Income

Investment income of $376,809 for the year ended September 30, 2022, consisted of interest income.

Note 3: Capital Assets

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

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi-fications/ Retirements	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 44,546,753	$ 9,993,369	$ (901,232)	$ 53,638,890
Construction in progress	28,366,145	19,628,779	(5,281,210)	42,713,714
Total capital assets, non-depreciable	72,912,898	29,622,148	(6,182,442)	96,352,604
Capital assets, depreciable:				
Water production and distribution facilities	35,877,872	3,520,704	100,487	39,499,063
Wastewater collection and treatment facilities	46,259,360	5,542,507	2,360,088	54,161,955
Parks and recreation	2,858,566	-	-	2,858,566
Road and paving facilities	1,421,383	9,195,171	753,846	11,370,400
Total capital assets, depreciable	86,417,181	18,258,382	3,214,421	107,889,984
Less accumulated depreciation:				
Water production and distribution facilities	(10,389,543)	(1,202,329)	-	(11,591,872)
Wastewater collection and treatment facilities	(13,366,403)	(1,534,107)	-	(14,900,510)
Parks and recreation	(1,154,348)	(190,571)	-	(1,344,919)
Road and paving facilities	(71,069)	(568,774)	-	(639,843)
Total accumulated depreciation	(24,981,363)	(3,495,781)	0	(28,477,144)
Total governmental activities, net	$ 134,348,716	$ 44,384,749	$ (2,968,021)	$ 175,765,444

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2022, were as follows.

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 162,675,000	$ 73,795,000	$ 16,820,000	$ 219,650,000	$ 8,300,000
Less discounts on bonds	2,052,003	1,367,707	218,090	3,201,620	-
Add premiums on bonds	1,857,456	482,850	291,201	2,049,105	-
	162,480,453	72,910,143	16,893,111	218,497,485	8,300,000
Bond anticipation note	37,010,000	-	37,010,000	-	-
Due to developers:					
Construction	5,388,702	9,364,892	4,466,392	10,287,202	-
Advances	3,691,951	2,293,906	339,231	5,646,626	-
Total governmental activities long-term liabilities	$ 208,571,106	$ 84,568,941	$ 58,708,734	$ 234,431,313	$ 8,300,000

General Obligation

	Series 2013	Refunding Series 2014
Amounts outstanding, September 30, 2022	$295,000	$255,000
Interest rates	2.90%	3.50%
Maturity dates, serially beginning/ending	March 1, 2023	March 1, 2023
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2021	March 1, 2022

	Series 2014A	Series 2014B
Amounts outstanding, September 30, 2022	$235,000	$135,000
Interest rates	3.00%	3.00%
Maturity dates, serially beginning/ending	March 1, 2023	March 1, 2023
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2022	March 1, 2022

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

	Refunding Series 2015	Series 2015
Amounts outstanding, September 30, 2022	$36,840,000	$20,825,000
Interest rates	2.00% to 5.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2023/2034	March 1, 2023/2039
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2024

	Series 2017	Series 2018
Amounts outstanding, September 30, 2022	$27,100,000	$3,145,000
Interest rates	2.25% to 4.00%	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2023/2042	March 1, 2023/2043
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2023

	Series 2019	Series 2020
Amounts outstanding, September 30, 2022	$11,590,000	$43,075,000
Interest rates	2.00% to 4.00%	1.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2023/2044	March 1, 2023/2045
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2024	March 1, 2025

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

Harris County Municipal Utility District No. 165
Notes to Financial Statements
September 30, 2022

	Refunding Series 2020	Refunding Series 2021
Amounts outstanding, September 30, 2022	$2,475,000	$10,190,000
Interest rates	2.00% to 3.00%	2.00% to 3.00%
Maturity dates, serially beginning/ending	March 1, 2023/2030	March 1, 2023/2038
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2025	March 1, 2027

	Defined Area No. 1 Road Series 2022	Defined Area No. 2 Road Series 2022
Amounts outstanding, September 30, 2022	$8,130,000	$4,910,000
Interest rates	2.50% to 5.00%	2.00% to 3.35%
Maturity dates, serially beginning/ending	March 1, 2024/2048	March 1, 2024/2048
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates*	March 1, 2027	March 1, 2027

	Series 2022
Amount outstanding, September 30, 2022	$50,450,000
Interest rates	3.00% to 4.00%
Maturity dates, serially beginning/ending	March 1, 2023/2046
Interest payment dates	March 1/September 1
Callable date*	March 1, 2028

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2022.

Year	Principal	Interest	Total
2023	$ 8,300,000	$ 6,851,632	$ 15,151,632
2024	8,935,000	6,556,979	15,491,979
2025	9,295,000	6,214,354	15,509,354
2026	9,600,000	5,907,434	15,507,434
2027	9,865,000	5,643,484	15,508,484
2028-2032	53,930,000	23,575,956	77,505,956
2033-2037	51,055,000	14,568,992	65,623,992
2038-2042	43,390,000	7,434,227	50,824,227
2043-2047	24,510,000	1,654,465	26,164,465
2048	770,000	10,858	780,858
Total	$ 219,650,000	$ 78,418,381	$ 298,068,381

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

Bonds voted:	
Water, sewer and drainage facilities	$ 665,684,000
Recreational facilities	16,000,000
Bonds sold – water, sewer and drainage facilities	269,260,000
Refunding bonds voted	8,000,000
Refunding bond authorization used	3,222,266

In addition to the above-described bonds, the following bonds were voted to serve Defined Area Nos. 1 and 2 (the Defined Area) and are payable from the proceeds of an ad valorem tax levied upon all property within each Defined Area subject to taxation, without limitation as to rate or amount:

Defined Area No. 1 Bonds voted:	
Water/sewer/drainage facilities and related refunding	$ 281,255,000
Park/recreational facilities and related refunding	43,995,000
Road facilities and related refunding	149,440,000
Bonds sold – road facilities	8,130,000

Defined Area No. 2 Bonds voted:	
Water/sewer/drainage facilities	$ 277,673,000
Park/recreational facilities	36,431,000
Road facilities	155,836,000
Refunding bonds voted	87,954,406
Bonds sold – road facilities	4,910,000

Due to Developers

Developers of the District have constructed underground utilities and park facilities on behalf of the District. The District is maintaining and operating the facilities and has agreed to reimburse the developers for these construction costs and interest to the extent approved by the Commission from the proceeds of future bond sales. The District's engineer estimates reimbursable costs for completed projects and advances received for construction are $15,933,828. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Resolution and Commission Requirements

A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2022, the District levied an ad valorem debt service tax at the rate of $0.7100 per $100 of assessed valuation, which resulted in a tax levy of $14,076,294 on the taxable valuation of $1,982,576,340 for the 2021 tax year. The interest and principal requirements paid from the tax revenues were $11,714,631.

B. During the year ended September 30, 2022, the District levied a Defined Area No.1 ad valorem debt service tax at the rate of $0.5500 per $100 of assessed valuation, which resulted in a tax levy of $244,303 on the taxable valuation of $44,418,454 for the 2021 tax year. The interest requirements paid from the tax revenues were $140,094.

C. During the current year, the District transferred $187,955 from the capital projects fund to the general fund. The transfer was in accordance with the rules of the Commission.

D. In accordance with Defined Area Nos. 1 and 2 Series 2022 Road Bonds Resolutions, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid.

Bond interest reserve, beginning of year		$ -
Additions:		
Interest appropriated from Defined Area No. 1 Series 2022 Road Bond proceeds	$ 280,188	
Interest appropriated from Defined Area No. 2 Series 2022 Road Bond proceeds	157,935	438,123
Deductions--Appropriation from bond interest paid:		
Defined Area No. 1 Road Series 2022	116,745	
Defined Area No. 2 Road Series 2022	65,806	182,551
Bond interest reserve, end of year		$ 255,572

Note 6: Maintenance Taxes

At an election held May 2, 1998, voters authorized a maintenance tax not to exceed $0.25 per $100 of assessed valuation on all property within the District subject to taxation. During the year ended September 30, 2022, the District levied an ad valorem maintenance tax at the rate of $0.2400 per $100 of assessed valuation, which resulted in a tax levy of $4,758,185 on the taxable valuation of $1,982,576,340 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

At an election held May 4, 2019, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within Defined Area No. 1 subject to taxation. During the year ended September 30, 2022, the District did not levy a Defined Area No. 1 ad valorem maintenance tax. The maintenance tax will be used by the general fund to pay expenditures of operating Defined Area No. 1.

In addition, at the May 4, 2019, election, voters authorized a road maintenance tax not to exceed $0.25 per $100 of assessed valuation on all property within Defined Area No. 1 subject to taxation. The road maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within Defined Area No. 1.

At an election held November 3, 2020, voters authorized a maintenance tax not to exceed $1.50 per $100 of assessed valuation on all property within Defined Area No. 2 subject to taxation. During the year ended September 30, 2022, the District levied a Defined Area No. 2 ad valorem maintenance tax at the rate of $0.5500 per $100 of assessed valuation, which resulted in a tax levy of $159,940 on the taxable valuation of $29,080,123 for the 2021 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating Defined Area No. 2. Voters also authorized a road maintenance tax not to exceed $0.25 per $100 of assessed valuation on all property within Defined Area No. 2 subject to taxation. During the year ended September 30, 2022, the District did not levy a Defined Area No. 2 road maintenance tax. The road maintenance tax will be used by the general fund to pay expenditures for maintenance of certain roads within Defined Area No. 2.

Note 7: Contracts With Other Districts

On July 3, 2003, the District entered into a Restated Permanent Waste Disposal Agreement (the Agreement) with Harris County Municipal Utility District No. 157 (District No. 157), which restates an agreement with District No. 157 and Harris County Municipal Utility District No. 225 dated September 20, 1979, as subsequently amended. The Agreement is for the term of 50 years.

Under the terms of the Agreement, District No. 157 has oversight responsibility for operations and holds title to the facility for the benefit of the participants. The facility has a current rated capacity of 1,200,000 gallons per day (gpd), of which the District is entitled to utilize 45.43 percent.

The District is billed the actual expenditures for the preceding month's operation of the facility. These expenditures are allocated to either fixed costs, which are based on capacity owned, or variable costs, which are shared based on active connections. For the year ended September 30, 2022, the District has incurred costs of $541,828 for operations. An operating reserve of approximately four months' expenses was established in a prior year and at the balance sheet date, was $158,188. The following table represents condensed audited financial information of the facilities, which were audited by another certified public accountant, as of and for the year ended December 31, 2021.

	General Fund	District's Proportionate Share
Total assets	$ 399,642	$ 181,557
Total liabilities	$ -	$ -
Total fund balance	399,642	181,557
Total liabilities and fund balance	$ 399,642	$ 181,557
Total revenues	$ 989,430	$ 449,498
Total expenditures	989,430	449,498
Excess revenues	$ 0	$ 0

Note 8: Risk Management

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

Note 9: Strategic Partnership Agreement

Effective December 12, 2008, the District and the City of Houston (the City) entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all City sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full-purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years. During the current year, the District recorded $146,118 in revenues related to the Agreement.

Note 10: Regional Water Authority

The District is within the boundaries of the West Harris County Regional Water Authority (the Authority), which was created by the Texas Legislature to provide a regional entity to acquire surface water and build the necessary facilities to convert from groundwater to surface water in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District, which regulates groundwater withdrawal. As of September 30, 2022, the Authority was billing the District $3.70 per 1,000 gallons of water pumped from its wells and $4.10 per 1,000 gallons of surface water received from the Authority. This amount is subject to future increases.

Note 11: Contingencies

Developers of the District are constructing water, sewer and drainage and road facilities within the boundaries of the District. The District has agreed to reimburse the developers for a portion of these costs, plus interest, with the proceeds of future bond sales. These amounts are to be reimbursed from bond proceeds to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately $74,830,900. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Note 12: Refunding Bonds

During the current year, the District issued its $10,305,000 Unlimited Tax Refunding Bonds, Series 2021, to refund $2,135,000 of outstanding Series 2014 Refunding Bonds, $5,170,000 of outstanding Series 2014A Bonds and $2,925,000 of outstanding Series 2014B Bonds. The District refunded the bonds to reduce total debt service payments over future years by $1,043,016 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $845,276.

Note 13: Subsequent Events

On December 6, 2022, the District issued $6,250,000 in Defined Area No. 1 unlimited tax road bonds, Series 2022A, at a net effective interest rate of approximately 5.271 percent. The bonds were sold to finance road construction projects within Defined Area No. 1 of the District and to reimburse the District's developers.

On December 6, 2022, the District issued $4,200,000 in Defined Area No. 2 unlimited tax road bonds, Series 2022A, at a net effective interest rate of approximately 5.321 percent. The bonds were sold to finance road construction projects within Defined Area No. 2 of the District and to reimburse the District's developers.

On December 8, 2022, the District issued a $27,508,000 Bond Anticipation Note, Series 2022, at an interest rate of 4.80 percent. Proceeds of the note were used to reimburse developers for construction projects within the District.

Required Supplementary Information

Harris County Municipal Utility District No. 165

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2022

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	$ 4,784,210	$ 4,884,880	$ 4,904,202	$ 19,322
Sales tax rebates	125,000	125,000	146,118	21,118
Water service	3,750,000	3,750,000	3,837,761	87,761
Sewer service	3,250,000	3,250,000	3,490,730	240,730
Regional water fee	3,300,000	3,300,000	3,661,902	361,902
Penalty and interest	300,000	300,000	221,235	(78,765)
Tap connection and inspection fees	475,000	1,075,000	1,524,498	449,498
Investment income	20,000	20,000	139,429	119,429
Other income	9,000	9,000	962	(8,038)
Total revenues	16,013,210	16,713,880	17,926,837	1,212,957
Expenditures				
Service operations:				
Purchased services - sewer	652,000	652,000	541,828	110,172
Purchased services - water	3,332,000	3,332,000	2,169,618	1,162,382
Regional water fee	-	-	1,663,478	(1,663,478)
Professional fees	612,000	612,000	992,087	(380,087)
Contracted services	3,955,514	4,064,000	4,174,396	(110,396)
Utilities	375,000	375,000	438,695	(63,695)
Repairs and maintenance	1,975,000	1,975,000	2,547,431	(572,431)
Other expenditures	566,500	626,500	467,365	159,135
Tap connections	117,000	450,000	778,525	(328,525)
Capital outlay	8,545,000	8,545,000	1,003,751	7,541,249
Recreational facilities	175,000	175,000	193,004	(18,004)
Debt service, debt issuance costs	-	-	45,000	(45,000)
Total expenditures	20,305,014	20,806,500	15,015,178	5,791,322
Excess (Deficiency) of Revenues Over Expenditures	(4,291,804)	(4,092,620)	2,911,659	7,004,279
Other Financing Sources				
Interfund transfers in	-	-	187,955	187,955
Reimbursement from governmental entity	-	-	29,573	29,573
Total other financing sources	0	0	217,528	217,528
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,291,804)	(4,092,620)	3,129,187	7,221,807
Fund Balance, Beginning of Year	20,060,511	20,060,511	20,060,511	-
Fund Balance, End of Year	$ 15,768,707	$ 15,967,891	$ 23,189,698	$ 7,221,807

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was amended during fiscal 2022.

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

Other Information

Harris County Municipal Utility District No. 165

Other Schedules Included Within This Report

September 30, 2022

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 16-34

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Harris County Municipal Utility District No. 165
Schedule of Services and Rates
Year Ended September 30, 2022

1. Services provided by the District:

X Retail Water	___ Wholesale Water	X Drainage
X Retail Wastewater	___ Wholesale Wastewater	___ Irrigation
X Parks/Recreation	___ Fire Protection	X Security
X Solid Waste/Garbage	___ Flood Control	X Roads

X Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

___ Other ______

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 22.20	0	N	$ 0.72	1	to	10,000
				$ 1.50	10,001	to	15,000
				$ 2.00	15,001	to	No Limit
Wastewater:	$ 33.02	0	Y				
Regional water fee:	$ 4.10	1	N	$ 4.10	1	to	No Limit

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 70.40 Wastewater $ 33.02

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	7,458	7,305	x1.0	7,305
1"	1,591	1,590	x2.5	3,975
1 1/2"	30	29	x5.0	145
2"	153	152	x8.0	1,216
3"	5	5	x15.0	75
4"	1	1	x25.0	25
6"	-	-	x50.0	-
8"	3	3	x80.0	240
10"	-	-	x115.0	-
Total water	9,241	9,085		12,981
Total wastewater	9,010	8,854	x1.0	8,854

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

Gallons pumped into the system:	1,037,357
Gallons billed to customers:	1,001,583
Water accountability ratio (gallons billed/gallons pumped):	96.55%

*"ESFC" means equivalent single-family connections

Harris County Municipal Utility District No. 165
Schedule of General Fund Expenditures
Year Ended September 30, 2022

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 35,500	
Legal	304,393	
Engineering	652,194	
Financial advisor	-	992,087
Purchased Services for Resale		
Purchased sewer		541,828
Purchased water		2,169,618
Regional Water Fee		1,663,478
Contracted Services		
Bookkeeping	52,631	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	1,366,627	
Other contracted services	632,582	2,051,840
Utilities		438,695
Repairs and Maintenance		2,547,431
Administrative Expenditures		
Directors' fees	21,450	
Office supplies	244,060	
Insurance	123,769	
Other administrative expenditures	78,086	467,365
Capital Outlay		
Capitalized assets	988,831	
Expenditures not capitalized	14,920	1,003,751
Tap Connection Expenditures		778,525
Solid Waste Disposal		2,122,556
Fire Fighting		-
Parks and Recreation		193,004
Other Expenditures - Debt Issuance Costs		45,000
Total expenditures		$ 15,015,178

Harris County Municipal Utility District No. 165

Schedule of Temporary Investments

September 30, 2022

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 95900011971042	0.35%	12/23/22	$ 248,385	$ 669
No. 70344355	1.25%	05/31/23	240,000	1,003
No. 626861	0.70%	04/14/23	225,000	729
No. 60024007179	1.25%	06/05/23	240,000	962
TexPool	2.85%	Demand	12,589,975	-
TexSTAR	2.77%	Demand	6,480,791	-
TexSTAR	2.77%	Demand	174,955	-
TexSTAR	2.77%	Demand	160,895	-
			20,360,001	3,363
Debt Service Fund				
Certificate of Deposit				
No. 6550117089	1.50%	07/12/23	240,000	789
TexPool	2.85%	Demand	2,607,117	-
TexSTAR	2.77%	Demand	172,187	-
TexSTAR	2.77%	Demand	546,634	-
TexSTAR	2.77%	Demand	9,199,854	-
			12,765,792	789
Capital Projects Fund				
TexPool	2.85%	Demand	3,490	-
TexSTAR	2.77%	Demand	17,949,186	-
TexSTAR	2.77%	Demand	75,160	-
TexSTAR	2.77%	Demand	411,460	-
TexSTAR	2.77%	Demand	7,138	-
TexSTAR	2.77%	Demand	815,014	-
			19,261,448	0
Totals			$ 52,387,241	$ 4,152

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable
Year Ended September 30, 2022

	Maintenance Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 62,545	$ 247,331
Additions and corrections to prior years' taxes	(9,695)	(33,864)
Adjusted receivable, beginning of year	52,850	213,467
2021 Original Tax Levy	4,691,511	13,879,052
Additions and corrections	66,674	197,242
Adjusted tax levy	4,758,185	14,076,294
Total to be accounted for	4,811,035	14,289,761
Tax collections: Current year	(4,727,989)	(13,986,966)
Prior years	(16,351)	(70,162)
Receivable, end of year	$ 66,695	$ 232,633
Receivable, by Years		
2021	$ 30,196	$ 89,328
2020	8,446	31,672
2019	4,888	26,072
2018	6,556	20,979
2017	3,595	12,222
2016	3,004	10,814
2015	2,710	10,299
2014	1,799	7,699
2013	1,545	6,611
2012	1,531	6,553
2011	1,128	4,828
2010	458	1,959
2009	478	2,048
2008	168	721
2007	142	607
2006	51	221
Receivable, end of year	$ 66,695	$ 232,633

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2022

	2021	2020	2019	2018
Property Valuations				
Land	$ 561,760,404	$ 454,581,655	$ 353,704,108	$ 336,601,743
Improvements	1,642,312,584	1,517,417,028	1,409,175,090	1,235,036,631
Personal property	35,387,304	34,433,427	29,246,281	27,268,801
Exemptions	(256,883,952)	(237,845,051)	(203,223,912)	(174,207,515)
Total property valuations	$ 1,982,576,340	$ 1,768,587,059	$ 1,588,901,567	$ 1,424,699,660
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.7100	$ 0.7500	$ 0.8000	$ 0.8000
Maintenance tax rates*	0.2400	0.2000	0.1500	0.2500
Total tax rates per $100 valuation	$ 0.9500	$ 0.9500	$ 0.9500	$ 1.0500
Tax Levy	$ 18,834,479	$ 16,801,579	$ 15,094,567	$ 14,959,378
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $0.25 on May 2, 1998

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

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2022

		Defined Area No. 1 Taxes
Receivable, Beginning of Year		$ -
Additions and corrections to prior years' taxes		23
Adjusted receivable, beginning of year		23
2021 Original Tax Levy		233,719
Additions and corrections		10,584
Adjusted tax levy		244,303
Total to be accounted for		244,326
Tax collections:	Current year	(239,609)
	Prior years	(23)
Receivable, end of year		$ 4,694
Receivable, by Years		
2021		$ 4,694

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2022

	2021	2020	2019
Property Valuations - Defined Area No. 1			
Land	$ 52,245,671	$ 41,945,763	$ 25,561,910
Improvements	8,713,297	166,800	-
Personal property	25,033	-	-
Exemptions	(16,565,547)	(19,874,485)	(16,216,425)
Total property valuations	$ 44,418,454	$ 22,238,078	$ 9,345,485
Tax Rates per $100 Valuation			
Debt service tax	$ 0.5500	$ -	$ -
Road facilities maintenance tax rate*	-	-	-
Maintenance tax rate**	-	0.5500	0.5500
Total tax rates per $100 valuation	$ 0.5500	$ 0.5500	$ 0.5500
Tax Levy	$ 244,303	$ 122,309	$ 51,400
Percent of Taxes Collected to Taxes Levied* **	98%	100%	100%

*Maximum tax rate approved by voters: $0.25 on May 4, 2019
**Maximum tax rate approved by voters: $1.50 on May 4, 2019
***Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 165

Analysis of Taxes Levied and Receivable (Continued)

Year Ended September 30, 2022

	Defined Area No. 2 Taxes
Receivable, Beginning of Year	$ 0
2021 Original Tax Levy	2,963
Additions and corrections	156,977
Adjusted tax levy	159,940
Total to be accounted for	159,940
Current year tax collections	(159,862)
Receivable, end of year	$ 78
Receivable, by Years	
2021	$ 78

Harris County Municipal Utility District No. 165
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2022

	2021
Property Valuations - Defined Area No. 2	
Land	$ 24,899,308
Improvements	4,231,224
Personal property	-
Exemptions	(50,409)
Total property valuations	$ 29,080,123
Tax Rates per $100 Valuation	
Road facilities maintenance tax rate*	$ -
Maintenance tax rate**	0.5500
Total tax rates per $100 valuation	$ 0.5500
Tax Levy	$ 159,940
Percent of Taxes Collected to Taxes Levied***	99%

*Maximum tax rate approved by voters: $0.25 on November 3, 2020
**Maximum tax rate approved by voters: $1.50 on November 3, 2020
***Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years

September 30, 2022

	Series 2013		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 295,000	$ 4,278	$ 299,278

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Refunding Series 2014		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 255,000	$ 4,462	$ 259,462

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2014A		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 235,000	$ 3,525	$ 238,525

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2014B		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 135,000	$ 2,025	$ 137,025

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Refunding Series 2015		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 2,195,000	$ 1,380,025	$ 3,575,025
2024	2,260,000	1,290,600	3,550,600
2025	2,880,000	1,162,100	4,042,100
2026	3,035,000	1,044,575	4,079,575
2027	3,135,000	952,025	4,087,025
2028	3,235,000	856,475	4,091,475
2029	3,340,000	753,675	4,093,675
2030	3,465,000	612,775	4,077,775
2031	4,055,000	424,775	4,479,775
2032	-	323,400	323,400
2033	4,525,000	244,213	4,769,213
2034	4,715,000	82,513	4,797,513
Totals	$ 36,840,000	$ 9,127,151	$ 45,967,151

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2015		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 835,000	$ 713,025	$ 1,548,025
2024	870,000	689,538	1,559,538
2025	915,000	662,762	1,577,762
2026	955,000	634,713	1,589,713
2027	1,000,000	605,387	1,605,387
2028	1,045,000	574,060	1,619,060
2029	1,090,000	540,019	1,630,019
2030	1,145,000	502,984	1,647,984
2031	1,195,000	462,750	1,657,750
2032	1,250,000	419,963	1,669,963
2033	1,310,000	375,163	1,685,163
2034	1,370,000	327,407	1,697,407
2035	1,430,000	275,763	1,705,763
2036	1,495,000	220,919	1,715,919
2037	1,565,000	163,544	1,728,544
2038	1,640,000	101,400	1,741,400
2039	1,715,000	34,300	1,749,300
Totals	$ 20,825,000	$ 7,303,697	$ 28,128,697

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2017		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 925,000	$ 862,056	$ 1,787,056
2024	965,000	824,256	1,789,256
2025	1,000,000	784,956	1,784,956
2026	1,040,000	753,256	1,793,256
2027	1,075,000	728,119	1,803,119
2028	1,120,000	699,981	1,819,981
2029	1,160,000	667,881	1,827,881
2030	1,205,000	632,406	1,837,406
2031	1,250,000	595,581	1,845,581
2032	1,300,000	557,331	1,857,331
2033	1,350,000	516,738	1,866,738
2034	1,400,000	472,894	1,872,894
2035	1,455,000	426,500	1,881,500
2036	1,510,000	378,319	1,888,319
2037	1,565,000	327,372	1,892,372
2038	1,625,000	273,541	1,898,541
2039	1,690,000	217,600	1,907,600
2040	1,755,000	159,466	1,914,466
2041	1,820,000	98,000	1,918,000
2042	1,890,000	33,075	1,923,075
Totals	$ 27,100,000	$ 10,009,328	$ 37,109,328

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2018		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 100,000	$ 112,663	$ 212,663
2024	105,000	109,588	214,588
2025	110,000	106,363	216,363
2026	115,000	102,843	217,843
2027	115,000	99,105	214,105
2028	120,000	95,288	215,288
2029	125,000	91,305	216,305
2030	130,000	87,000	217,000
2031	135,000	82,363	217,363
2032	140,000	77,200	217,200
2033	145,000	71,500	216,500
2034	150,000	65,600	215,600
2035	155,000	59,500	214,500
2036	165,000	53,100	218,100
2037	170,000	46,400	216,400
2038	175,000	40,375	215,375
2039	185,000	34,975	219,975
2040	190,000	28,400	218,400
2041	195,000	20,700	215,700
2042	205,000	12,700	217,700
2043	215,000	4,300	219,300
Totals	$ 3,145,000	$ 1,401,268	$ 4,546,268

Harris County Municipal Utility District No. 165
Schedule of Long-term Debt Service Requirements by Years (Continued)
September 30, 2022

	Series 2019		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 355,000	$ 281,400	$ 636,400
2024	370,000	266,900	636,900
2025	380,000	251,900	631,900
2026	395,000	240,350	635,350
2027	410,000	232,300	642,300
2028	425,000	223,950	648,950
2029	440,000	215,300	655,300
2030	455,000	206,350	661,350
2031	470,000	197,100	667,100
2032	490,000	187,500	677,500
2033	505,000	177,234	682,234
2034	525,000	165,963	690,963
2035	540,000	153,981	693,981
2036	560,000	141,256	701,256
2037	580,000	127,719	707,719
2038	600,000	113,706	713,706
2039	625,000	98,769	723,769
2040	645,000	82,491	727,491
2041	670,000	65,231	735,231
2042	690,000	47,381	737,381
2043	715,000	28,941	743,941
2044	745,000	9,778	754,778
Totals	$ 11,590,000	$ 3,515,500	$ 15,105,500

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2020		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 1,360,000	$ 837,800	$ 2,197,800
2024	1,400,000	796,400	2,196,400
2025	1,440,000	753,800	2,193,800
2026	1,480,000	724,800	2,204,800
2027	1,520,000	709,800	2,229,800
2028	1,560,000	692,450	2,252,450
2029	1,605,000	672,669	2,277,669
2030	1,650,000	650,263	2,300,263
2031	1,695,000	625,175	2,320,175
2032	1,745,000	597,194	2,342,194
2033	1,790,000	564,025	2,354,025
2034	1,840,000	527,725	2,367,725
2035	1,895,000	490,375	2,385,375
2036	1,945,000	451,975	2,396,975
2037	2,000,000	412,525	2,412,525
2038	2,055,000	371,975	2,426,975
2039	2,115,000	330,275	2,445,275
2040	2,170,000	287,425	2,457,425
2041	2,235,000	240,581	2,475,581
2042	2,295,000	189,619	2,484,619
2043	2,360,000	137,250	2,497,250
2044	2,425,000	83,419	2,508,419
2045	2,495,000	28,069	2,523,069
Totals	$ 43,075,000	$ 11,175,589	$ 54,250,589

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Refunding Series 2020		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 15,000	$ 55,975	$ 70,975
2024	320,000	50,950	370,950
2025	335,000	41,125	376,125
2026	340,000	32,700	372,700
2027	350,000	25,800	375,800
2028	360,000	18,700	378,700
2029	375,000	11,350	386,350
2030	380,000	3,800	383,800
Totals	$ 2,475,000	$ 240,400	$ 2,715,400

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Refunding Series 2021		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 35,000	$ 275,075	$ 310,075
2024	690,000	264,200	954,200
2025	720,000	243,050	963,050
2026	750,000	221,000	971,000
2027	775,000	198,125	973,125
2028	800,000	178,500	978,500
2029	835,000	162,150	997,150
2030	855,000	145,250	1,000,250
2031	520,000	131,500	651,500
2032	535,000	118,275	653,275
2033	560,000	101,850	661,850
2034	580,000	84,750	664,750
2035	600,000	67,050	667,050
2036	625,000	48,675	673,675
2037	640,000	29,700	669,700
2038	670,000	10,050	680,050
Totals	$ 10,190,000	$ 2,279,200	$ 12,469,200

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Defined Area No. 1 Road Series 2022		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ -	$ 280,188	$ 280,188
2024	205,000	275,062	480,062
2025	215,000	264,563	479,563
2026	220,000	253,687	473,687
2027	230,000	242,438	472,438
2028	240,000	231,287	471,287
2029	245,000	220,375	465,375
2030	255,000	209,763	464,763
2031	265,000	199,362	464,362
2032	275,000	188,563	463,563
2033	285,000	177,362	462,362
2034	295,000	166,500	461,500
2035	305,000	156,000	461,000
2036	315,000	145,150	460,150
2037	325,000	133,950	458,950
2038	340,000	123,163	463,163
2039	350,000	112,812	462,812
2040	360,000	102,163	462,163
2041	375,000	91,137	466,137
2042	390,000	79,663	469,663
2043	405,000	67,484	472,484
2044	415,000	54,672	469,672
2045	430,000	41,469	471,469
2046	445,000	29,187	474,187
2047	465,000	17,813	482,813
2048	480,000	6,000	486,000
Totals	$ 8,130,000	$ 3,869,813	$ 11,999,813

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Defined Area No. 2 Road Series 2022		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ -	$ 157,935	$ 157,935
2024	125,000	156,060	281,060
2025	130,000	152,235	282,235
2026	135,000	148,260	283,260
2027	140,000	144,135	284,135
2028	145,000	139,860	284,860
2029	150,000	135,435	285,435
2030	155,000	130,860	285,860
2031	160,000	126,135	286,135
2032	165,000	121,178	286,178
2033	170,000	115,985	285,985
2034	175,000	110,637	285,637
2035	185,000	104,965	289,965
2036	190,000	98,965	288,965
2037	195,000	92,805	287,805
2038	205,000	86,302	291,302
2039	210,000	79,455	289,455
2040	220,000	72,360	292,360
2041	225,000	65,018	290,018
2042	235,000	57,369	292,369
2043	245,000	49,329	294,329
2044	250,000	41,037	291,037
2045	260,000	32,495	292,495
2046	270,000	23,617	293,617
2047	280,000	14,405	294,405
2048	290,000	4,858	294,858
Totals	$ 4,910,000	$ 2,461,695	$ 7,371,695

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Series 2022		
Due During Fiscal Years Ending September 30	Principal Due March 1	Interest Due March 1, September 1	Total
2023	$ 1,560,000	$ 1,881,200	$ 3,441,200
2024	1,625,000	1,833,425	3,458,425
2025	1,170,000	1,791,500	2,961,500
2026	1,135,000	1,751,250	2,886,250
2027	1,115,000	1,706,250	2,821,250
2028	1,085,000	1,662,250	2,747,250
2029	1,045,000	1,619,650	2,664,650
2030	1,045,000	1,577,850	2,622,850
2031	1,380,000	1,529,350	2,909,350
2032	5,620,000	1,389,350	7,009,350
2033	1,265,000	1,251,650	2,516,650
2034	1,240,000	1,201,550	2,441,550
2035	2,065,000	1,135,450	3,200,450
2036	2,150,000	1,051,150	3,201,150
2037	2,235,000	974,625	3,209,625
2038	2,330,000	906,150	3,236,150
2039	2,420,000	834,900	3,254,900
2040	2,520,000	748,200	3,268,200
2041	2,625,000	645,300	3,270,300
2042	2,730,000	538,200	3,268,200
2043	2,845,000	426,700	3,271,700
2044	2,960,000	310,600	3,270,600
2045	3,080,000	189,800	3,269,800
2046	3,205,000	64,100	3,269,100
Totals	$ 50,450,000	$ 27,020,450	$ 77,470,450

Harris County Municipal Utility District No. 165

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2022

	Annual Requirements For All Series		
Due During Fiscal Years Ending September 30	**Total Principal Due**	**Total Interest Due**	**Total Principal and Interest Due**
2023	$ 8,300,000	$ 6,851,632	$ 15,151,632
2024	8,935,000	6,556,979	15,491,979
2025	9,295,000	6,214,354	15,509,354
2026	9,600,000	5,907,434	15,507,434
2027	9,865,000	5,643,484	15,508,484
2028	10,135,000	5,372,801	15,507,801
2029	10,410,000	5,089,809	15,499,809
2030	10,740,000	4,759,301	15,499,301
2031	11,125,000	4,374,091	15,499,091
2032	11,520,000	3,979,954	15,499,954
2033	11,905,000	3,595,720	15,500,720
2034	12,290,000	3,205,539	15,495,539
2035	8,630,000	2,869,584	11,499,584
2036	8,955,000	2,589,509	11,544,509
2037	9,275,000	2,308,640	11,583,640
2038	9,640,000	2,026,662	11,666,662
2039	9,310,000	1,743,086	11,053,086
2040	7,860,000	1,480,505	9,340,505
2041	8,145,000	1,225,967	9,370,967
2042	8,435,000	958,007	9,393,007
2043	6,785,000	714,004	7,499,004
2044	6,795,000	499,506	7,294,506
2045	6,265,000	291,833	6,556,833
2046	3,920,000	116,904	4,036,904
2047	745,000	32,218	777,218
2048	770,000	10,858	780,858
Totals	$ 219,650,000	$ 78,418,381	$ 298,068,381

Harris County Municipal Utility District No. 165

Changes in Long-term Bonded Debt

Year Ended September 30, 2022

	Bond			
	Series 2013	Refunding Series 2014	Series 2014A	Series 2014B
Interest rates	2.90%	3.50%	3.00%	3.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	March 1, 2023	March 1, 2023	March 1, 2023	March 1, 2023
Bonds outstanding, beginning of current year	$ 575,000	$ 3,175,000	$ 5,630,000	$ 3,190,000
Bonds sold during current year	-	-	-	-
Debt refunded	-	2,135,000	5,170,000	2,925,000
Retirements, principal	280,000	785,000	225,000	130,000
Bonds outstanding, end of current year	$ 295,000	$ 255,000	$ 235,000	$ 135,000
Interest paid during current year	$ 12,405	$ 20,700	$ 10,425	$ 6,000

Paying agent's name and address:

Series 2013 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014R - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2014A - Amegy Bank, N.A., Houston, Texas
Series 2014B - Amegy Bank, N.A., Houston, Texas
Series 2015R - Amegy Bank, N.A., Houston, Texas
Series 2015 - Amegy Bank, N.A., Houston, Texas
Series 2017 - Amegy Bank, N.A., Houston, Texas
Series 2018 - Zions Bancorporation, National Association, Houston, Texas
Series 2019 - Zions Bancorporation, National Association, Houston, Texas

Bond authority:

	Tax Bonds	Recreational Bonds	Refunding Bonds
Amount authorized by voters	$ 665,684,000	$ 16,000,000	$ 8,000,000
Amount issued	$ 269,260,000	$ -	$ 3,222,266
Remaining to be issued	$ 396,424,000	$ 16,000,000	$ 4,777,734

Debt service fund cash and temporary investment balances as of September 30, 2022:	$ 12,994,429
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 11,464,169

Bond authority Defined Area No. 1:

	Tax and Refunding Bonds	Recreational and Refunding	Road and Refunding Bonds
Amount authorized by voters	$ 281,255,000	$ 43,995,000	$ 149,440,000
Amount issued	$ -	$ -	$ 8,130,000
Remaining to be issued	$ 281,255,000	$ 43,995,000	$ 141,310,000

Bond authority Defined Area No. 2:

	Tax Bonds	Recreational Bonds	Road Bonds	Refunding Bonds
Amount authorized by voters	$ 277,673,000	$ 36,431,000	$ 155,836,000	$ 87,954,406
Amount issued	$ -	$ -	$ 4,910,000	$ -
Remaining to be issued	$ 277,673,000	$ 36,431,000	$ 150,926,000	$ 87,954,406

Issues

Refunding Series 2015		Series 2015		Series 2017		Series 2018		Series 2019	
2.00% to 5.00%		2.00% to 4.00%		2.25% to 4.00%		3.00% to 4.00%		2.00% to 4.00%	
March 1/ September 1		March 1/ September 1		March 1/ September 1		March 1/ September 1		March 1/ September 1	
March 1, 2023/2034		March 1, 2023/2039		March 1, 2023/2042		March 1, 2023/2043		March 1, 2023/2044	
$	38,430,000	$	21,620,000	$	27,995,000	$	3,240,000	$	11,935,000
	-		-		-		-		-
	-		-		-		-		-
	1,590,000		795,000		895,000		95,000		345,000
$	36,840,000	$	20,825,000	$	27,100,000	$	3,145,000	$	11,590,000
$	1,436,800	$	732,403	$	898,456	$	115,588	$	295,400

Harris County Municipal Utility District No. 165

Changes in Long-term Bonded Debt (Continued)

Year Ended September 30, 2022

	Bond		
	Series 2020	Refunding Series 2020	Refunding Series 2021
Interest rates	1.00% to 3.00%	2.00% to 3.00%	2.00% to 3.00%
Dates interest payable	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity dates	March 1, 2023/2045	March 1, 2023/2030	March 1, 2023/2038
Bonds outstanding, beginning of current year	$ 44,400,000	$ 2,485,000	$ -
Bonds sold during current year	-	-	10,305,000
Debt refunded	-	-	-
Retirements, principal	1,325,000	10,000	115,000
Bonds outstanding, end of current year	$ 43,075,000	$ 2,475,000	$ 10,190,000
Interest paid during current year	$ 878,075	$ 56,350	$ 207,563

Paying agent's name and address:

Series 2020 - Zions Bancorporation, National Association, Houston, Texas
Series 2020R - Zions Bancorporation, National Association, Houston, Texas
Series 2021R - Zions Bancorporation, National Association, Houston, Texas
DA1 Series 2022 - Zions Bancorporation, National Association, Houston, Texas
DA2 Series 2022 - Zions Bancorporation, National Association, Houston, Texas
Series 2022 - Zions Bancorporation, National Association, Houston, Texas

Issues

Defined Area No. 1 Road Series 2022	Defined Area No. 2 Road Series 2022	Series 2022	Totals
2.50% to 5.00%	2.00% to 3.35%	3.00% to 4.00%	
March 1/ September 1	March 1/ September 1	March 1/ September 1	
March 1, 2024/2048	March 1, 2024/2048	March 1, 2023/2046	
$ -	$ -	$ -	$ 162,675,000
8,130,000	4,910,000	50,450,000	73,795,000
-	-	-	10,230,000
-	-	-	6,590,000
$ 8,130,000	$ 4,910,000	$ 50,450,000	$ 219,650,000
$ 140,094	$ 78,968	$ 634,867	$ 5,524,094

Harris County Municipal Utility District No. 165
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended September 30,

	Amounts				
	2022	2021	2020	2019	2018
General Fund					
Revenues					
Property taxes	$ 4,904,202	$ 3,648,401	$ 2,430,958	$ 3,551,578	$ 3,223,532
Sales tax rebates	146,118	135,303	117,701	94,141	91,702
Water service	3,837,761	3,172,370	3,046,377	2,906,978	2,791,806
Sewer service	3,490,730	3,164,353	2,932,047	2,799,869	2,604,713
Regional water fee	3,661,902	3,034,065	2,927,238	2,409,145	2,276,585
Penalty and interest	221,235	4,695	98,300	291,294	229,938
Tap connection and inspection fees	1,524,498	589,658	494,202	493,520	970,766
Investment income	139,429	15,402	161,945	363,760	201,085
Other income	962	-	128,149	1,767	10,588
Total revenues	17,926,837	13,764,247	12,336,917	12,912,052	12,400,715
Expenditures					
Service operations:					
Purchased services - sewer	541,828	-	773,589	634,476	519,076
Purchased services - water	2,169,618	19,902	22,490	28,385	26,183
Regional water fee	1,663,478	3,042,132	2,866,622	2,487,743	2,319,174
Professional fees	992,087	1,083,950	791,631	892,189	745,501
Contracted services	4,174,396	3,682,159	3,334,640	3,243,109	3,029,850
Utilities	438,695	345,355	372,762	338,458	335,035
Recreational facilities	193,004	150,725	181,376	177,530	174,500
Repairs and maintenance	2,547,431	2,215,086	1,964,925	1,729,012	1,740,799
Other expenditures	467,365	447,465	411,009	409,053	369,952
Tap connections	778,525	295,175	185,600	258,935	332,065
Capital outlay	1,003,751	958,631	2,727,352	3,776,434	4,312,476
Debt service, debt issuance costs	45,000	106,256	108,880	12,500	123,275
Total expenditures	15,015,178	12,346,836	13,740,876	13,987,824	14,027,886
Excess (Deficiency) of Revenues Over Expenditures	2,911,659	1,417,411	(1,403,959)	(1,075,772)	(1,627,171)
Other Financing Sources					
Interfund transfers in	187,955	234,352	364,597	3,341,128	-
Reimbursement from governmental entity	29,573	459,230	2,860,418	32,974	-
Total other financing sources	217,528	693,582	3,225,015	3,374,102	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,129,187	2,110,993	1,821,056	2,298,330	(1,627,171)
Fund Balance, Beginning of Year	20,060,511	17,949,518	16,128,462	13,830,132	15,457,303
Fund Balance, End of Year	$ 23,189,698	$ 20,060,511	$ 17,949,518	$ 16,128,462	$ 13,830,132
Total Active Retail Water Connections	9,085	8,311	8,022	7,764	7,470
Total Active Retail Wastewater Connections	8,854	8,112	7,828	7,582	7,287

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
27.4 %	26.5 %	19.7 %	27.5 %	26.0 %
0.8	1.0	1.0	0.7	0.7
21.4	23.1	24.7	22.5	22.5
19.5	23.0	23.8	21.7	21.0
20.4	22.1	23.7	18.7	18.4
1.2	0.0	0.8	2.3	1.9
8.5	4.2	4.0	3.8	7.8
0.8	0.1	1.3	2.8	1.6
0.0	-	1.0	0.0	0.1
100.0	100.0	100.0	100.0	100.0
3.0	-	6.3	4.9	4.2
12.1	0.1	0.2	0.2	0.2
9.3	22.1	23.3	19.2	18.7
5.5	7.9	6.4	6.9	6.0
23.3	26.8	27.0	25.0	24.4
2.4	2.5	3.0	2.6	2.7
1.1	1.1	1.5	1.4	1.4
14.2	16.1	15.9	13.4	14.0
2.6	3.3	3.3	3.2	3.0
4.3	2.1	1.5	2.0	2.7
5.6	7.0	22.1	29.2	34.8
0.3	0.8	0.9	0.1	1.0
83.7	89.8	111.4	108.1	113.1
16.3 %	10.2 %	(11.4) %	(8.1) %	(13.1) %

Harris County Municipal Utility District No. 165

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended September 30,

	Amounts				
	2022	2021	2020	2019	2018
Debt Service Fund					
Revenues					
Property taxes	$ 14,296,760	$ 13,235,135	$ 12,650,597	$ 11,376,858	$ 10,970,546
Penalty and interest	192,086	206,559	144,592	169,620	105,223
Investment income	96,674	8,713	88,663	217,241	146,417
Total revenues	14,585,520	13,450,407	12,883,852	11,763,719	11,222,186
Expenditures					
Current:					
Professional fees	90,241	55,142	40,649	43,809	18,805
Contracted services	265,374	241,771	223,248	231,808	209,549
Other expenditures	20,935	12,481	10,703	14,513	10,478
Debt service:					
Principal retirement	6,590,000	4,980,000	4,785,000	4,170,000	7,620,000
Interest and fees	5,347,493	4,838,781	5,042,274	4,421,956	4,832,980
Debt issuance costs	376,814	133,254	-	-	-
Debt defeasance	-	-	4,290,000	3,835,000	-
Total expenditures	12,690,857	10,261,429	14,391,874	12,717,086	12,691,812
Excess (Deficiency) of Revenues Over Expenditures	1,894,663	3,188,978	(1,508,022)	(953,367)	(1,469,626)
Other Financing Sources (Uses)					
General obligation bonds issued	10,743,122	2,515,000	-	-	-
Payments to escrow agent	(10,415,712)	(2,478,352)	-	-	-
Premium on debt issued	482,850	93,266	-	-	-
Total other financing sources	810,260	129,914	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,704,923	3,318,892	(1,508,022)	(953,367)	(1,469,626)
Fund Balance, Beginning of Year	10,217,499	6,898,607	8,406,629	9,359,996	10,829,622
Fund Balance, End of Year	$ 12,922,422	$ 10,217,499	$ 6,898,607	$ 8,406,629	$ 9,359,996

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
98.0 %	98.4 %	98.2 %	96.7 %	97.8 %
1.3	1.5	1.1	1.4	0.9
0.7	0.1	0.7	1.9	1.3
100.0	100.0	100.0	100.0	100.0
0.6	0.4	0.3	0.4	0.2
1.8	1.8	1.8	2.0	1.9
0.1	0.1	0.1	0.1	0.1
45.2	37.0	37.1	35.4	67.9
36.7	36.0	39.1	37.6	43.0
2.6	1.0	-	-	-
-	-	33.3	32.6	-
87.0	76.3	111.7	108.1	113.1
13.0 %	23.7 %	(11.7) %	(8.1) %	(13.1) %

Harris County Municipal Utility District No. 165

Board Members, Key Personnel and Consultants

Year Ended September 30, 2022

Complete District mailing address:	Harris County Municipal Utility District No. 165 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	
District business telephone number:	713.860.6400	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		November 18, 2020
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Alan Bentson	Elected 11/20-** 05/24	$ 5,400	$ 1,966	President
David Molina	Elected 05/22- 05/26	7,200	2,842	Vice President
Wayne Green	Elected 05/22- 05/26	3,600	377	Secretary
Scott Barr	Elected 05/22- 05/26	2,400	642	Assistant Vice President
Scott Nilsson	Appointed 05/21- 05/24	2,850	867	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.
**May 2020 director election was deferred until November 2020.

Harris County Municipal Utility District No. 165
Board Members, Key Personnel and Consultants (Continued)
Year Ended September 30, 2022

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	07/28/03	$ 1,494,089	Attorney
Bob Leared Interests	01/04/79	142,276	Tax Assessor/ Collector
DAC Services, Inc.	06/02/11	1,411,907	Engineer
FORVIS, LLP	06/27/85	131,700	Auditor
H20 Consulting, Inc.	06/01/12	3,041,246	Operator
Harris County Appraisal District	Legislative Action	142,408	Appraiser
Myrtle Cruz, Inc.	03/01/04	73,019	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/25/85	90,241	Delinquent Tax Attorney
Robert W. Baird & Co.	02/05/15	1,128,795	Financial Advisor

Investment Officer			
Alan Bentson	06/03/10	N/A	Director

APPENDIX B

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)